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the **MANAGEMENT REVIEW**

JANUARY, 1948

AMONG THE FEATURES

Appraising the Nation's Economic Mood

Industrial Mobilization for Peace

Solving the Donations Problem

Your Company—A Good Neighbor

Training for Secretarial Skills

The Challenge of Industrial Relations

What Chances of Labor Unity?

Increased Efficiency Through Profit-Sharing

Getting Your Money's Worth at the Post Office

Changes in Annual Reports

What's Ahead for Insurance?

- PERSONNEL
- PRODUCTION
- OFFICE MANAGEMENT
- MARKETING
- FINANCE
- INSURANCE
- PACKAGING
- BOOKS OF THE MONTH

AMERICAN MANAGEMENT ASSOCIATION

AMA announces . . .

MIDWINTER PERSONNEL CONFERENCE

FEBRUARY 16-18 • THE PALMER HOUSE • CHICAGO

Essentials for a Balanced Perspective

Industrial relations is the fastest-moving field in management. To maintain a balanced perspective of its trends, you should attend the sessions of AMA's Midwinter Personnel Conference. While this Conference is aimed primarily at personnel and industrial relations executives, all in industry who have human relations responsibilities should be present.

Plan to attend these sessions. Send your reservations to The Palmer House—making sure to mention the AMA Midwinter Personnel Conference.

Some of the Conference Topics

OUTLOOK ON WAGE LEVELS

FUTURE COMPENSATION POLICIES

PENSION, HEALTH, AND WELFARE PROBLEMS

EXPERIENCE UNDER THE LABOR-MANAGEMENT RELATIONS ACT

EDUCATING EMPLOYEES IN MANAGEMENT AND ECONOMIC PROBLEMS

IMPROVING AND SIMPLIFYING THE WAGE PROGRAM

ADMINISTRATION OF SUPPLEMENTARY COMPENSATION PLANS

THE ART OF SPEAKING TO EMPLOYEES

YOU MUST BE A MEMBER OF AMA

To non-members who read this announcement, AMA regrets to say that this Conference will be confined to members of the Association. This is a policy that will be followed by the AMA in connection with all future meetings.

It is hoped that non-members will appreciate the Association's position as a membership organization, in view of the fact that many of the Association's conferences have been overcrowded in the past by the attendance of non-members.

CHECK TO MAKE SURE YOU ARE A MEMBER

To avoid misunderstanding, the Association urges all members to check to see if their companies have a "Company Membership" or an "Individual Membership."

If your company is a member, you and any of your company associates who wish to may attend.

If you have an Individual Membership, the rights and privileges extend only to the person in whose name that Individual Membership is held. It does not cover any others in your company—and it is not transferable.

If you qualify to attend, we suggest that you send your registration to AMA headquarters immediately!

AMERICAN MANAGEMENT ASSOCIATION
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the MANAGEMENT REVIEW

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GENERAL MANAGEMENT...

Appraising the Nation's Economic Mood

WHAT happens to our economic scene is usually the result of a combination of how well-off people *are*, how well-off people *feel* they are, and what their hopes and fears about the future are. Presented here is a glimpse of the way the consumer views his material well-being now and for the future, as indicated by the results of a *Fortune* survey conducted to measure the nation's economic mood. The findings should be of definite interest to management.

A poll of the state of consumer well-being, like a frank conversation with a friend on the same subject, begins naturally with the questions: How much are you making? How are you making out? Most (57 per cent) American wage and salary workers, the group for whom a question on take-home pay is relevant, report that they are making as much as they were six months ago, while nearly a quarter say they are making more.

They are not, however, feeling especially prosperous as a result. More than half (58 per cent) of the respondents to the survey reported that they were finding it harder to make both ends meet; 33 per cent said they were finding it the same; only 5 per cent find it easier; and no opinion was vouchsafed by 4 per cent.

Among workers in different occupations, experience on take-home pay showed little variation. The workers who reported increased take-home pay represented 26 per cent of the white-collar group, 24 per cent of the factory workers, and 16 per cent of all other non-farm workers. On making ends

meet, 67 per cent of the factory workers and 62 per cent of the white-collar workers reported they were having a harder time as against 50 per cent of the farmers.

Wage and lower-salaried workers' appraisals of their chances for getting another job that would pay as much as their present job are as follows: 44 per cent of all respondents believe it would be hard; 23 per cent, fairly hard; 27 per cent thought it would be easy; 6 per cent gave no opinion. Broken down by occupations: 75 per cent of factory workers, 64 per cent of white-collar workers, and 61 of other non-farm workers think it would be hard or fairly hard to get another job.

The consumer's anxiety over making ends meet, in face of constant or increasing take-home pay, is clearly the result of higher prices. Nearly all respondents report higher prices, and the response to this question was nearly uniform for all income groups, occupations, all sizes of cities, and all parts of the country. There is no evident dissatisfaction with the trend in quality, but there is a decided correlation of attitude on quality with income status. Forty-nine per cent of the top-income or "prosperous" group found quality improving; 41 per cent of the next or "upper-middle" income group reported improvement. Of the "lower-middle" income group, only 34 per cent reported improvement, and of the bottom or "poor" group only 22 per cent. Of the "poor" group, 29 per cent asserted that the quality of the goods they purchased had actually deteriorated.

Expenditures for amusement and en-

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tertainment are, presumably, one of the first casualties of an effort to balance the family budget, but there is no evidence that effort to reduce these items has reached strenuous proportions.

Within the last six months there has been a marked difference in the behavior of the cash position of different income groups. Apparently the poorest groups have been losing ground at a rapid rate. Broken down by income groups, respondents who indicated that they have either the same amount of ready cash as, or a larger amount than, they had six months ago represent 73 per cent of those in the prosperous group, 64 per cent of the upper-middle group, 58 per cent of the lower-middle group, and only 49 per cent of the poor (with only 10 per cent of the latter group responding that they have more, as contrasted with 31 per cent of the prosperous group).

For the next six months, the majority expect the same or a little higher take-home pay, a definitely tighter job market (only wage earners were asked these two questions), and a big increase in prices. On the first two questions, there were few significant differences between groups. On the outlook for prices, 16 per cent of those in the highest income bracket thought prices would fall; at the bottom of the income scale, however, only 10 per cent allowed themselves that hope.

Consumer opinion runs strongly to expectation of higher prices for all the leading items in the budget. Only in the case of home furnishings does the number expecting stable prices exceed those expecting a further increase, and in that case the fact that a relatively large number (24 per cent) gave no opinion should be taken into account. Farmers held about the same view of the future of food prices as the public at large. (The survey was completed before the last spectacular bulge in food

prices, though after modification of rent control had become certain.)

The answers on take-home pay, jobs, and especially prices all suggest that a depression is not thought to be on the near horizon. However, it is considered a solid prospect for the slightly more distant future. Among occupational groups, farmers are the most pessimistic by a considerable margin. Sixty-five per cent of them, as against 58 per cent of factory workers and 56 per cent of "other labor," expect a slump within two years.

The question asked on net worth was: "Are you [and your husband or wife] worth more in total money and possessions now than you were six months ago, less, or about the same? In answering this we wish you would take into account the money you just told us about and also any stocks, bonds, automobiles, furniture, real estate, and any other possessions that you own." Broken down again according to economic group, the respondents who said their net worth had increased or remained the same represented 87 per cent of the prosperous group, 85 per cent of the upper-middle group, 78 per cent of the lower-middle group, and 65 per cent of the poor (47 per cent answering "the same," 18 per cent, "more"). Thus, as in the case of cash position, a substantial majority of the poorest group reports that it is only holding its own or is actually losing ground.

Management may find the attitudes recorded in this survey of value as one of several tools for a fuller understanding of economic trends and events. The results should be taken for what they are, however—the public's own expression of its economic mood—and not as a magic formula or economic barometer *per se*.

By ELMO ROPER. *Fortune*, November, 1947, p. 57.

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Review

Industrial Mobilization: Mailed Fist for Peace

THE comprehensive industrial mobilization plan currently being formulated by those charged with the defense of our country aims to avert World War III by making us capable of handling any trouble likely to arise. This plan may affect drastically all the nation's businesses, in every area from raw materials to plant personnel. While the plan has not yet been released, there are nevertheless several things industry can do now to guarantee its effectiveness:

1. Keep in close touch with latest developments on the industrial mobilization front.
2. Designate executives who will be responsible for company mobilization plans.
3. Re-examine World War II production difficulties and place them before the Munitions Board of the Military Establishment, Washington, D. C. If the Munitions Board committee doesn't have the answers, it will put manufacturers in touch with armed services technicians who do, or who will at least cooperate to help find them.
4. Determine, through plant surveys, war production potential of individual plants.
5. Investigate, through the Munitions Board, the whole question of plant dispersal.
6. Report to the Munitions Board new processes believed to have a war potential.
7. Back programs for military preparedness.
8. Swap industrial mobilization planning ideas with other companies.
9. Start planning now.

The tentative mobilization plan, classified as highly restricted information, was prepared by the Munitions Board, a vital agency in the National Security

Organization. A few copies of the plan have been released, and these are now being scrutinized by high government, military, labor, and management men. It's their job to drag the plan over the coals, suggest sweeping revisions if they see fit, then pass it back to the Munitions Board for refinement and approval by the President. The plan in its final refinement may get more general circulation—possibly by next spring.

Many activities which ultimately will be recommended in the final plan are now under way—for example, a national stockpiling program to be completed in five years. The Munitions Board is already stacking away essential raw materials.

Secretary of Defense Forrestal has just authorized an extensive survey to determine the feasibility of placing critically important factories underground.

Production blueprints, bills of material, and firm contracts will be prepared and kept ready for a national emergency.

Determining which specific industry shall produce which war material will be the task of the Munitions Board, an operating and planning agency, whose other function is to oversee government stockpiling.

The Navy has already submitted a partial list of items it will need. The other services expect to have theirs ready shortly. Requirements in some instances then will be turned over to the industry advisory committees working with the Munitions Board. Each committee will interpret its respective industry's ability to produce one or several items on the list.

The job then will be one of going to individual plants to determine produc-

tion potential. It is here that management can anticipate armed service representatives.

Biggest factor in any plant mobilization survey is the need for constant revision to guarantee that production keeps pace with lightning changes in ordnance. Many so-called modern weapons now look like flintlocks when placed alongside new ordnance.

Because of this shifting picture, procurement and production planners for the armed services are anxious to maintain a close liaison with industrial executives. They have countless production problems that can be solved only with industry's know-how. Paint that won't crack, bombs that are true aerodynamically, tougher metals that won't erode and which can withstand terrific heats, armor that is impenetrable yet light—these are just some of the brain-twisters.

Koppers Company, Inc., Pittsburgh, has practically completed a concrete survey of its war production facilities,

thus anticipating the government's industrial mobilization plan. This, briefly, is what the survey involves: It details present production capacity, raw materials required for maximum production, materials demand on other industries to maintain this production, and the possibility of expansion. Such information has just been gathered from Koppers plants. These detailed plant plans are being summarized through the operating divisions until, plant by plant, results of the survey are pieced together to give a binocular-sharp picture of company potential.

Valuable by-products seem almost certain to accrue to Koppers, or any other company which adopts a similar project. It gives to all echelons of management an opportunity to take stock of equipment and processes and perhaps to look into the future for new products the company is or can be equipped to make.

Modern Industry, November 15, 1947, p. 153:5.

How Good Are 1948 Business Prospects?

BUSINESS in 1948 will be about the same as in 1947, according to 63 per cent of the respondents to a *Mill & Factory* survey designed to reveal how manufacturing companies of all types and sizes view the prospects of American business during the current year. Twenty-three per cent of the companies indicated a belief that business will be better in 1948.

There will be neither a recession nor a depression in 1948, according to the majority, or 72 per cent, of those answering the survey. A short and sharp recession is anticipated by 19 per cent of the respondents. Nine per cent of the respondents expect the start of a major depression.

Prices in 1948 will be higher than in 1947, 47 per cent of the respondents believe. That prices will be the same as in 1947 is the thought of 27 per cent of those replying.

A majority of the respondents, 61 per cent, believe that, in general, present prices of manufactured goods are abnormally high. Prices are about right according to 38 per cent.

To the question, "If you believe that, in general, present prices of manufactured goods are abnormally high, what constructive steps can be taken to bring them down?", a Midwestern manufacturer's answer was: "Government to freeze wages and prices, then: (1) cut taxes; (2) balance budget by eliminating unnecessary personnel, expenses, and pare down to the bone." A New England firm suggested: "Wage control first. Price control second."

—*Mill & Factory* 12/47

- MORE WEARINESS is caused by the weight of things uncompleted than by the efforts of accomplishment.

—*Management Briefs*, No. 14 (Rogers & Slade)

Solving the Donations Problem

BUSINESS today is faced with thousands of outstretched hands. The hands are attached to solicitors for an endless variety of causes that are seeking financial aid from business. Requests for corporate gifts are attaining boom dimensions; there are more calls for donations, and the appeals are for larger amounts, than ever before. Almost every company is giving more attention to its donations policy in an attempt to play fair with stockholders and at the same time meet the demands of charity.

"In recent years an encouraging trend has been the study of the donations problem by business as a whole," one executive says. "As a result, most companies now look upon contributions as a part of the cost of doing business—a much more healthy attitude than that of the past, when a 'good' year boosted donations and relaxed policies, and a 'bad' year had the opposite effect."

One large company whose business is restricted to a limited geographical area, for instance, gives about \$100,000 a year in contributions. The major portion of this amount goes to the Community Fund and the Red Cross. An official in the public relations department has most of the requests channeled through his office; several hundred are received each year.

The company is in a business that makes it the natural target for requests from small groups of women for donations for card parties, teas, bazaars and similar events. The firm has evolved a formula for satisfying these organizations. When their representatives appear, they are given no money; instead they are presented with a small

housewares item that the company buys for this purpose in large quantities. The item is suitable for a door prize at a small social event; also, by a desirable coincidence, its use by the ultimate recipient increases the company's volume on the product it sells.

Another company, that has headquarters in the East but sizable Chicago operations, has a local committee, made up of the company's top Chicago representatives, to pass on donations. Plant superintendents, however, are given some leeway to make gifts as they see fit for small local causes. But any gift of more than \$1,000 is considered a matter of corporate policy and must be referred to the national headquarters of the firm.

This company's policy is to contribute only to those organizations that serve a large number of the firm's employees. It will contribute to churches, hospitals, YMCAs, and similar institutions if they are located in the community where company operations are carried on; but it will not do so in other cases. The firm will not give to national health drives, for example, because it feels that company employees are not directly affected by such national activities, no matter how worthy they may be. "It is a serious question in our minds whether a corporation has a right to give money to charities, at the expense of the stockholders, that do not directly help the company or its employees," an official said.

The firm refuses requests from union publications for advertising; it attempts to avoid sponsoring any organization, except in local community affairs; and it turns down requests to sponsor or pay for propaganda on economic theories.

One company which has had a general policy against advertising in any special media, such as programs, has been breaking this rule recently for an interesting reason. The reason, in the words of a company official, is: "We have found that, by advertising in connection with high school and college dances and athletic events, we can obtain employees during the current labor shortage and also build up good will for the company as a good place to work." Since its operations are on a national basis, the company has its donations program on a decentralized basis, with general policy established in the head office. The company as a whole has a semi-annual donations budget, which provides for regularly recurring worthy causes and also provides a sum for miscellaneous requests.

Study is also being given by management to those drives that appeal for contributions from employees. In the case of organizations that have thou-

sands of employees, the job of collecting for a charity is both complex and expensive. As a solution for this problem, a national company with extensive Chicago operations is now testing a new plan in the Chicago area. The plan is to establish permanent monthly payroll deductions from the wages of all employees of a fraction of 1 per cent of the monthly earnings. These deductions would continue as long as the employee was on the payroll. Proceeds would be divided annually among three charities that now regularly solicit the company's employees. The percentage given to each would vary, depending on the amount they normally received from the firm's workers. The plan, which has just gotten under way, has received the approval of national officials of the unions with which the firm has contracts.

By HERBERT FREDMAN. *Commerce*, November, 1947, p. 21:5.

Workers' Share of Factory Income

FACTORY employees in 1946 received 76.3 per cent of net income originated by manufacturing before payment of corporate taxes, as against 75.7 per cent in 1939 and 66 per cent in 1941, according to an analysis of labor payments and net income just completed by the Conference Board.

"Net income originating" refers to the United States Department of Commerce concept of national income and differs from net income on a profit and loss statement. The latter is equal to the gross receipts of a company or an industry less all costs, charges, and expenses. Net income originating includes not only the net return to the companies (designated in the national income breakdown as "income of unincorporated enterprises" and "corporate profits") but also compensation of employees, rent, and interest payments.

Wages and salaries comprised about five-eighths of the net income originated, after corporate taxes, by private enterprises during the years 1929-1946. Including supplementary compensation, such as employer contributions to social insurance and private pension and welfare funds, it was found that the corresponding figure is raised to 64 per cent. The remaining 36 per cent includes 18.6 per cent for entrepreneurial income, 4.9 per cent for corporate net income after taxes, and 12.5 per cent for interest and rent. In 1946, compensation of employees, including supplements, accounted for virtually the same percentage of all income, after corporate taxes, as the long-term annual average.

—*The Journal of Commerce* 12/11/47

- NUMBER OF FAILURES among manufacturers remains low as compared with prewar years, but the average liability is three times as high. In 1940, the rate of failure among manufacturers was 11.0 per thousand and the average liability \$24,244. In 1946, failures were 1.6 per thousand, and liabilities averaged \$82,821.

—*Sales Management* 11/20/47

Your Company—A Good Neighbor

MANY companies are not reaping their full measure of public good will simply because they don't make a special effort to "let the people know" how their business benefits the community. Perhaps it's time to check your company's public relations system, to find out if it is failing in this respect. As you review your public relations, keep in mind the constant need for flexibility and freshness. Whatever your basic program, check constantly to see what supplementary measures might be used to increase effectiveness at minor cost. The following paragraphs underscore some of the problems you should watch.

It's apparent that the growing number of small stockholders means a larger number of boosters for the companies owned by the little investor. What the stockholder believes may determine the attitude of a large part of the public. It may affect your standing in the community and your position with your own workforce. *Good relations with stockholders thus become one of management's chief resources in presenting its case to the country.* Methods of building up stockholder sympathy include the following:

1. *Constant flow of information.* In addition to the annual report, see that stockholders regularly get interim financial statements, special letters on labor difficulties, personal communications occasionally—as when dividends are omitted. Illustrations of advanced steps in this direction can be found in Swift's *Yearbooks*, and the arrangement Standard Oil of New Jersey has for sending copies of the proceedings of stockholder meetings to holders unable to attend.

2. *Interesting meetings.* Make your stockholder meetings something more than a dry rehash of a financial statement. Provide transport, serve meals, arrange for plant visits. General Mills has held informal stockholder meetings in a number of big cities throughout the country, with personal invitations sent by the company president to all shareholders in the area.

3. *The personal touch.* If it is practicable, encourage individual inquiries, offer access to the company's servicing departments. Encourage careful use of proxy votes. Dispel the idea that the little shareholder is a forgotten man as far as management is concerned.

The changeover of advertising from a mere aid to sales to a tool of management policy means important new techniques:

1. Talk from the vantage point of management's own specialty—management. Such a slant makes for greater community respect and prestige. Put your cards on the table. Generate public interest by frank explanation of present activities and future plans. People like to know what's going on, and if you satisfy their curiosity, chances are you'll build good will at the same time.

2. Play up management's appreciation of its responsibilities to the community and the nation.

3. Management's side in labor conflicts should be presented briefly, simply, fairly. During a strike at Spencer Kellogg (Edgewater, N. J.) nine advertisements were run by the company in local papers, each with a brief statement from the works manager. The tone of the copy was de-

signed to *win* the other side over. The strike ended shortly, and a survey of the community indicated that the company's standing remained high, largely due to the ads.

4. Always underline management's good motives, its desire to be fair. Copy should indicate the company's constant desire to produce better goods at lower prices, its hope for continuity of work and labor peace.

5. Plant-town advertising should stress the close interrelationship and mutual dependence between company and community. It pays to point out the value of the company's payroll, products, purchases, participation in community activities, payment of taxes. Underline the significance of company welfare and recreation programs to the town as a whole.

6. Plant-town ads should be directed at local citizens in general—not at the employee, though he is an important ultimate target. If the campaign is successful, community pride will be transmitted to the workers as well, and higher employee morale will result.

7. Some companies have explained compactly how increased production is the direct source of higher wages. A recent Warner-Swasey ad was captioned "If You Want a Piece, Bake a Bigger Pie," bringing out the lesson that the way to increase wages is

through greater efficiency on the part of management and also greater productivity on the part of labor.

8. A direct link-up between capital and technology is shown in an ad of the New York Stock Exchange headed, "Making Dreams Come True." It shows an early photo of Thomas Edison and his phonograph, pointing out that dreams of men like Edison had to be backed by dollars before they could materialize.

9. A business history in an annual report is a convincing method of presenting the idea that free enterprise is the best soil for small business. The Champion Paper & Fibre Company, in its 1945 report, has an effective story of the growth of the company. It explains the risk the company plans to undertake in the future, and how it demands even more capital. The story is headed "The American Way."

10. Plans for industrial stability can be described. One of the problems of industrial and financial management is extreme fluctuation in production. The Hupp Corporation uses ads to urge other firms to develop and maintain a pool of flexible production capacity by investing in and using independent contract manufacturers.

From *How to Tell Your Company's Story* (Analysis 54), Research Institute of America, Inc., New York, 1947, p. 48:7.

Every Employee a Shareholder

UNDER a plan designed to make it possible for every worker to become a stockholder, Scott Paper Company has distributed one share of common stock to each employee who has had five years or more of service. The plan also provides that employees now with the company less than five years will receive one share upon completing five years of service and an additional share will be distributed to each worker every time a five-year cycle of unbroken service is completed.

All workers of the company and its subsidiaries are included in the plan, with 1,403 persons participating in the initial distribution. At current market prices, the stock already distributed amounts to more than \$60,000.

—*The Wall Street Journal* 1/5/48

What Do You Want in 1948?

MILLIONS of American men and women fritter away their lives with a thousand details, of which 900 get them nowhere—certainly not nearer happiness. They live fast, but neither hard nor deep. They live too fast because they don't know where they are going, and so have to hurry to get there. They can't simplify their lives because they have never simplified their thinking.

These millions have never stopped long enough to figure out an aim that's worth having. They don't really know what they want.

Henry Thoreau, our greatest natural philosopher, had his own solution to the problem. He wanted to write a book, and so for two years he lived a hermit-like life in the woods, cultivating beans and corn to bolster up his rations. He succeeded in escaping from the flurry and flutter of village life in Concord while he thought out his book and wrote it; then he went home. In short, he found out his worth-while aim, and then rid himself of the particular kinds of trivia and detail that wasted his time and energy.

This doesn't necessarily mean that we must all follow Thoreau's exact example—above all, that is no solution for anyone who hates beans and gardening. But nearly everyone can apply Thoreau's general principle. We live in the midst of details that keep us running around in circles, never getting anywhere but tired, or that bring on nervous breakdowns and coronary thrombosis.

The answer is not necessarily to take to the woods, but to find out what we really want to do and then cut out the details that fritter away what is most valuable in life. *Live deep instead of fast.*

—HENRY SEIDEL CANBY in *This Week* 1/4/48

A Look Backward to Life With Father

WHEN father was a boy, the Bureau of Labor Statistics checked up on the cost of living.

Workers who rented their homes in the District of Columbia paid more for their flats, or houses, than in any state. Average District of Columbia rent was \$162.96 a year. South Carolina's average was the lowest in the nation—\$54.38 for 12 months.

For food, a sampling of families in New York disclosed that they paid out an average of \$322.07 annually. The diet included fresh beef, butter, sugar, potatoes, other vegetables, and vinegar, pickles, and condiments.

In those days fuel in Michigan, where winters are cold and long, cost the average family \$43.61 a year against \$15.80 among the palmettos in South Carolina.

Dressing came cheap, too. In Massachusetts a husband spent an average of \$44.03 a year for clothing, and his wife \$41.58. In Tennessee the average clothing bill for husband and wife was \$10.75 each, a year. Family expenditures for clothing for Kentucky children, however, averaged \$91.27, the highest in the country, compared to \$21.58 in South Carolina.

Other average expenditures of the average family: life insurance premiums, \$29.55; labor organizations, \$10.52; religious organizations, \$9.49; charity, \$4.68; furniture, \$31.13; books and papers, \$8.82; amusements, \$17.44; tobacco, \$13.80; and sickness and death, \$26.78. For alcoholic beverages, the folks put out a national average of \$24.53.

The total average expenditures for living by an average family of 3.96 persons was \$699.24.

The figures are taken from a cost of living survey conducted by the BLS in 1901, before the Wall Street bust of 1907 and the two world wars. It covered approximately 25,000 families, some in every state. The survey covered families whose wage earners were employed in the iron and steel, leather, light and power, liquor, metals, paper and printing, and vehicle industries, and professional workers. Their income averaged between \$700 and \$800 a year.

—*Labor Information Bulletin* 10/47

An executive is not a finished product until he retires.

—THOMAS H. NELSON (quoted in *Management Briefs*)

OFFICE MANAGEMENT...

Training for Secretarial Skills

By ESTHER R. BECKER
Forstmann Woolen Company

A SECRETARY'S success, and her effectiveness to her boss, are not measured by her mastery of skills alone. She should have, in addition, a "sixth sense," or "secretarial sense," as an executive described it.

One organization set out to develop such secretarial ability by holding discussion groups. Participating were:

1. Girls who already were secretaries, many of them for a number of years.
2. Stenographers, clerks, and other office workers who aspired to become secretaries. This provided the company with a potential pool of secretarial material.

The program comprises eight one-hour sessions, scheduled once a week.* A spot check revealed that secretaries could best be away from their offices, and in the right frame of mind for concentration, between two and three o'clock in the afternoon, toward the middle of the week—Tuesdays, Wednesdays, or Thursdays.

Highlight of the first session was an "Attitude Survey." The questionnaires furnished for this purpose were unsigned. The aim of the survey was to ascertain what secretaries read, what

* A training manual for this course, designed to be used in conjunction with Miss Becker's recently published *Secretaries Who Succeed* (Harper & Brothers, New York), may be obtained by interested readers from the author. The manual will be provided free to purchasers of *Secretaries Who Succeed*; a nominal charge of 50 cents will be made to others. Address: Esther R. Becker, Forstmann Woolen Company, Passaic, New Jersey.

outside education they were interested in, whether they resisted new office machines and methods, and what job they hoped to fill five years from now.

The program emphasized "learning by doing." The secretary who has herself dictated a letter is often amazed at how difficult dictation can really be for the dictator—how a light interruption breaks the train of thought—how easily repetition creeps in. Thus provision was made for members of the group to dictate to each other.

A "Problem Clinic" was also conducted on an anonymous basis. Problems written up in disguised form by secretaries were handed to the conference leader, who himself did not know the identity of the writers. Advice on tactful handling of problems was elicited from the group.

Case examples were resorted to throughout to illustrate different phases of office relationships. A typical example follows:

Miss McCallum, secretary to a college president, made it a point to stay and clean up every bit of work each day. Her co-workers considered her exemplary. Everyone admired her high standards of efficiency.

During the vacation period, a temporary secretary was engaged. One day the college president dictated a long report late in the afternoon. "We can send that out tomorrow," he added. The substitute secretary replied, "I'll be glad to do it tonight, but if tomorrow is time enough, I'll type it the first thing in the morning."

"That's fine," the president answered, and added, with some reticence: "Miss McCallum always finishes her work the day I give it to her. Since I know she will do this, naturally I am somewhat reluctant to overload her. Yet sometimes I should like to clean up the work on my desk, disposing of little details that can be attended to most any time. Because she is so conscientious, however, I make it a point never to give her more work than can reasonably be accomplished in a day."

This type of case provokes discussion of the human factor in office relationships. Which type of secretary is easier to get along with over a period of time? Does the too-conscientious secretary think more of herself than of her boss?

A poll to determine the "Qualities of a Good Boss" yielded 84 characteristics. The most frequently mentioned attributes were Courtesy, Patience, Tactfulness, Firmness, Friendliness, Impartiality, Cooperativeness, and Ability to Be a Good Listener. Among the more infrequently cited ones were: "Is aware of strained relations in department," "Is open to discuss any matter (business or personal) with people under him," "Doesn't mix social activities and business to gain cooperation of employees," "Doesn't carelessly criticize other departments."

To complement this, a discussion centered on what a boss expects of a secretary.

Some of the supplementary or "homework" activities of the group included:

1. *Compiling a procedure manual.* Such a handbook lists all the duties of a secretary, with dates when they are to be performed, plus brief instructions. The purpose is threefold:

- a. If a secretary is on vacation or away from the office, the manual is a guide to the person replacing her.

- b. When statements, forms, or reports are compiled annually, or periodically, with longer intervals elapsing between, a secretary may forget just what statistics are required or how they were arrived at. The manual saves time in rechecking such data sources.
- c. The executive himself, over a period of years, may have forgotten just how many details have become concentrated under his supervision. Showing him the procedure manual at some appropriate time may lead to the elimination of unnecessary reports, forms, or procedures—and, incidentally, impresses him with the grasp a secretary has of her job.

To prepare such a manual, the secretary simply assumes that she is telling a person who is completely unfamiliar with her office routine how to proceed to take over her job. On the top sheet of the manual the secretary lists all the jobs she performs. These might, for example, include: Read and clip morning newspapers; open and read mail; distribute mail; telephone incoming buyers—and so on, until she very likely will have listed around 20 duties, which is a fair estimate of the average secretarial job. Then she prepares a job description sheet for each job listed.

The details of such a manual should be completely worked out; it cannot be compiled in a day. After a rough draft has been prepared, the secretary will find herself revising the manual again and again. Ordinary manuscript paper, punched to fit a three-ring binder, is the most satisfactory. The average manual should run from 20 to 40 pages.*

2. *Style manual.* This is no ordinary "form manual"; rather, it is a serious attempt to analyze the executive's writing technique so that a secretary herself can draft appropriate replies on routine correspondence for her

* A detailed description of a procedure manual appears on pages 54-56 of *Secretaries Who Succeed*.

employer's approval and signature.

3. *Analysis of filing systems.* This includes retention and destruction of records; how to set up "functional files" and specialized files, as, for example, cataloguing labor agreements.

Secretaries who have undergone this training not only increase their efficiency but are happier, better integrated individuals because they have definite goals of attainment and enjoy job satisfaction.

W, for Where Is It?*

GUESSING the killer in murder mysteries is too tame for me now; I've taken things under. There, fellow puzzle lovers, is an enigma that would have any dick in fiction whimpering like a bloodhound in Alcatraz and may very well be what drove Sherlock Holmes to the needle. There is an old saying that no one can lose a bass drum. Any good secretary could file a bass drum so it couldn't be found in less than two hours, when it would turn up under *C* for "Can't lose," naturally. As a matter of fact, there are secretaries who could file a burning neon sign so you couldn't find it at midnight.

Let's say the girl is out and you need to find a letter saying that if your roof leaks, the writer will be glad to shingle it with plastic shingles spelling out the company name and a message for passing airplanes, probably "Get out of here." You don't remember the gent's name. Where would such a letter be filed? It is better to begin with the simple and work on to the fantastic; if you don't, it will turn out your little helpmeet is using the Purloined Letter gambit and hiding the thing where it's most obvious, like under *W* for "Where on earth did I put it?" or *N* for "Not worth saving."

So the way to start is to try *S* for "shingles," *P* for "plastic," and *R* for "roof." This way you will find a letter from a man named Roofenwald, a good reducing diet, and some valuable data on relations, public. It is when you have exhausted the obvious and the cross-eyed obvious that the search begins to take cunning. "Repairs?" Not a chance. *F* for "Fixing"? Better, but not good enough. I usually try going from the specific to the very general about this time. "Building" would be next, on the theory that the roof is part of the building. Maybe what struck her was that part about airplanes. So we haul open the *N*'s, for "Name on roof," and an hour later, while back to the word "shingle," the letter turns up in the *Sho*'s, next to some dope on shower curtains. The girl filed it mentally under "Shower," figuring cagily that you would ask for it the next time it rained. If it isn't there, it will turn up under *H*. *H* for "Hotshot will be screaming for this."

What makes this kind of deduction so fascinating is that it begins where ordinary logic flies out the window and comes back with a load on. When you learn to look for a pamphlet on the Little Giant power-driven toothbrush under *G*, for "Giant, Little," you feel pretty crafty. Then, when the girl comes back, she can reach into the *B*'s for "brochure," and pull it right out. *B* is also where she keeps a bottle of bismuth and a few odds and ends she figures go naturally under "Boss," or "Boss will need." That's why you find a booklet on emigrating to the Yukon, along with the revised bankruptcy laws and a magazine article entitled *My Life on WPA*. Not always, though. They may be under *U*, for "Unfiled."

—ROBERT M. YODER

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- MIKE DEFINO, wireman at Westinghouse Electric's Pittsburgh Works, has received—in 20 years of submitting ideas through his company's suggestion system—checks totaling \$10,000, enough to pay for his home. His 300th award recently brought him a check for \$58.

—*Supervision* 10/47

Office Personnel Policies

HOW many hours per week does the average office employee work? If production workers receive a wage increase, will the clerical worker also be considered? To answer these and similar questions, NOMA—in conducting its 1947 salary survey—included a questionnaire aimed at constructing, from the replies of the 899 participating firms, a definite pattern of company practices in these areas of office management. The highlights of the survey are presented below.

Little change for this year over last was apparent in the standard workweek in effect for most companies. A large majority of the firms surveyed—543—work 40 hours per week as standard practice. This figure (61 per cent of the reporting firms) correlates closely with the 60 per cent (494 firms) shown to be operating on this level in the 1946 survey. Whatever leveling out of weekly hours was experienced after the war, business has apparently settled today on the 40-hour standard as most practical in the office. Sixty-three companies reported a less than 36-hour workweek, while 94 reported a workweek of over 40 hours.

Unanimous approval was given vacations with pay. Most companies (589) give their employees two weeks with pay after one year of service. A large number (304) allow one week to those having six months' service. Thirty-one firms give two weeks after only six months of service. It is regular practice for 120 companies to allow one day per month to new employees, with a two-week limit. Only 145 companies stated the requirement to be one year's service for one week's leave; only one firm required two years.

Three-week vacations required at least five years of service—with 15

years modal, or most common. A month's vacation, relatively rare, was given by 19 companies after 25 years' service, by seven companies after 20 years, and by two after 10 years. Extra regard for long service was fairly common, however, with 160 companies granting an additional week or two for service of from five to 25 years and over. Several firms made the added grant of one or two weeks on the anniversary date, whether it marks 15, 20, or 25 years of service.

The pay period for office employees was fairly equally divided in preference between semi-monthly and weekly payments. The semi-monthly plan was favored by 40 per cent (365) of the companies; the weekly plan by 35 per cent (318). The monthly plan was least popular, being in effect for only 59 companies.

The fact that increases granted production workers result in higher office pay in as many as 28 per cent of the firms surveyed is believed significant, though data from other sources than the current salary survey is not available for analysis. Of the 817 companies answering the question: "Is there a correlation between increases granted production maintenance employees and clerical employees?", 228 answered "yes" and 589 answered "no." In view of the traditional evidence to the contrary, the fact that two out of every seven companies currently surveyed affirmed that correlation brings new light to bear on the office-factory worker wage relationship. The degree of correlation is worthy of future study.

Incentive plans were reported in use by only 45 companies, or 5 per cent of those responding. The 45 companies having wage incentive plans were

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scattered through 18 cities in the United States and Canada. No particular concentration was found in any one area. The jobs most frequently reported on an incentive plan ranked as follows: (1) transcribing machine operator; (2) typist; (3) and (4) billing machine operator and calculating machine operator (tied); (5) duplicating machine operator; (6) key punch operator.

Since salary rates* are often conditioned by factors such as those covered in this survey, the pattern of company practices that emerges here provides a background for dollars earned that brings the salary picture into clearer focus.

From *Office Salaries: Survey Summary No. 2*, National Office Management Association, 1947.

* See: "Office Salaries in 10 Cities," *THE MANAGEMENT REVIEW*, Dec., 1947, pp. 626-7.

The Simplified Letter—Custom-Built or Custom-Balked?

"PROGRESS through change" is admittedly a good motto. But while all progress involves some change, all change does not necessarily mean progress. Thus, various well-intentioned movements generated at different times to alter letter-writing habits have all too frequently concerned themselves only with some sensational change, at the same time failing to provide a satisfactory working plan. The simplified letter, however, in which is blended the best of the past and the present, is characterized by the sort of change that definitely spells progress.

What is this "new" letter concept and format?

The format may be summed up as: extreme left block—to reduce typewriter manipulation and bring into line data of primary filing and reference importance (date, address, subject, signature, distribution of copies); omission of formal and threadbare salutations and cut-and-dried complimentary closings.

The concept is the achievement of clear, compact, "personalized" presentation of thought in the body of the letter, with its corollary advantage of increased letter impact and efficiency. This, in effect, is an attack on the

cliché or form-letter style of writing, that makes so many letters painfully standardized.

Nominated by NOMA as the letter of today, the simplified letter has been "custom built" to meet the need for a sensible solution to the problem of improving business letters while reducing letter costs. It steps on a lot of toes encased in high-topped, button shoes. The final decision of every serious letter-thinker as to its adoption will determine, in the long run, whether the letter is "custom balked."

For the benefit of office executives, the following are some suggestions for dictating:

1. Use the subject line to catch reader attention, flash letter purpose, and suggest a filing niche.
2. Take extra care in wording the opening sentence. Make the start of every letter different. It's your introduction to the reader.
3. Study a handful of letters from your file. Find the stock phrases. Banish them.
4. Try for simplicity in words and phrases.
5. Develop a straightforward and coherent thought flow.
6. Strive for a naturalness of tone

and approach reflecting your own personality—don't be colorless.

7. Create a warm and friendly letter atmosphere. Veer away from rigid formality or disrespectful cuteness.

8. Be careful with your closing sentence.

9. Review your letters several days after writing them. Their imperfections will stand out.

10. Remember, there's much more to a truly simplified letter than simply dropping "Dear" and "Yours truly."

For the benefit of secretaries, here are some suggestions for typing:

1. Use extreme left block format.
2. Place date in top position on left-hand margin.
3. Type name and address in block style at least three spaces below date (for use in window envelope).
4. Omit formal salutation.
5. Subject heading should be typed in capitals at least three spaces below address.
6. Double space between paragraphs.
7. Indent questions, listings or like items in body of letter five spaces from left-hand margin, except when preceded by a number or letter.
8. Omit period after number or letter used in an outline form.
9. Omit complimentary close.
10. Type name of dictator in capitals at left-hand margin at least five spaces below end of letter.
11. Align initials of typist at left below signature, if used.
12. List names of individuals who should receive carbon copies on left-hand margin below signature.
13. Page number may be placed on

lower left-hand margin about one inch from bottom of each sheet, if necessary.

14. File with left margin up. This brings essential information in line at top for easy reference.

Both writer and typist will experience a desire to resist this departure from the conditioning of custom. One letter will not make a convert. But if the simplified letter is given a fair trial (dependent on the depth of traditional opposition), it is a 50 to one bet that another simplified letter writer will be added to the rolls.

Here's a proposal:

Re-read the suggestions for better dictators and typists. Check each point against your normal antipathies. Ask yourself if your reaction comes from habit, from being accustomed to follow a worn and beaten path from date to signature. Dictate your next letter with the simplified letter concepts in mind. Then ask your secretary to type the letter first in conventional form, then in simplified form. Writing one letter will hardly convince you, but if you stretch your experiments into days, the weeks will take care of themselves. One discovery made by those who have adopted this new letter format is that "the case for the simplified letter grows with use!"

By VAUGHN FRY. *The Office Economist*, Issue No. 4, 1947, p. 74.

Mail Goes Faster, at Lower Cost

BY use of a pneumatic-tube system telegrams, mail, confidential inter-plant messages, blueprints, production change data, and other vital information are carried through the Packard Motor Company's mile-long Detroit plant, at high speed and low cost. Messages are routed to each major department from a centrally-located tube station.

The plant messenger force, now reduced by one-half, carries twice the amount of regular mail previously carried. High-speed service helps eliminate production tie-ups. Messages and papers placed in the tube carriers arrive in better condition at greatly reduced cost. From five to 30 minutes of messenger time is now saved on each message.

—*Factory Management and Maintenance* 11/47

PERSONNEL...

The Challenge of Industrial Relations

WHAT are the most important needs of the community in the field of labor relations? Two seem to stand out above all others: the development of a code of fair labor practices to govern the behavior of trade unions and employers toward one another, and development of teamwork between trade unions and management.

By a code of fair labor practices is meant something much more important than laws—namely, a body of thought and opinion concerning the obligations of employers toward unions, of unions toward employers and toward their own members, and of both employers and unions toward the community. The best way to indicate the need for a code of fair labor practices is by discussing briefly some of the principal questions with which the code would deal and to which it would supply answers.

One question relates to the conditions under which a union or an employer may injure a third party in order to injure an employer or a union. To injure a manufacturer with whom a union has a dispute, for example, may the union boycott a retailer or a wholesaler who handles the goods made by that manufacturer? In other words, what is the area of allowable industrial conflict? Must third parties not directly involved in a dispute be drawn willy-nilly into the controversy, or should they be protected insofar as possible from being injured by disputes?

Another question relates to the concern of the public with the provisions

of trade agreements. In the theory of collective bargaining, the employer is usually regarded as the representative of the consumer. It is to his interest to keep the cost of production as low as possible. It is assumed that the employer has sufficient bargaining power to give adequate representation to the interests of consumers. In some matters, however, the employer may find it expedient to yield. Suppose he consents to rules which compel him to use labor wastefully. In that event, the productive capacity of industry is limited and as a result the standard of living of the community is kept lower than it might be. Should the code of fair labor practices take a position on this question and perhaps on other questions of trade agreements which are contrary to the general interest?

A third question relates to the right of unions and employers to deprive the community of essential services in order to determine which has the greater bargaining power. There are other ways of settling differences than a test of strength. Both the NAM and the two great federations of labor are opposed to compulsory arbitration. Do employers and trade unions, however, really believe they have the right to deprive the community of coal, electricity, railroad service or steel in order to determine whether the union or the employer has the greater bargaining power? Surely this is a question on which the community needs to build up a body of opinion and possibly also a body of law.

Finally, we come to the important question of the nature of the bargaining process. If collective bargaining is to be esteemed as a worthwhile social institution, it must be a method of setting wages and working conditions by an appeal to principles and to evidence, rather than on the basis of respective bargaining power. It cannot be an appeal to principles, however, unless the community develops well-considered ideas concerning what is a fair wage structure. For example, when is a change in the cost of living a relevant fact to be taken into consideration in fixing wages, when are changes in productivity per man-hour, changes in the ability of the employer to pay, wages in other industries or occupations relevant considerations? Only a beginning has thus far been made in building up a body of opinion about the criteria which may approximately be used in setting wages. The creation of a body of thought in this important field is an urgent need and presents a vital challenge to the community.

The second great need of the community in the field of industrial relations is the development of effective teamwork between unions and management. Does the growth of powerful trade unions mean American industry is being organized for bigger and harder conflicts? Or does it mean American industry is being organized for more effective cooperation between management and workers?

Virtually everyone will agree that it would be a great calamity if the rise of trade unions meant bigger and harder conflicts rather than more effective cooperation. The development of effective cooperation between unions and management, however, will not come about by wishful thinking; it will come about only as a result of carefully planned policies. The lead in develop-

ing such policies must be taken by management. Indeed management has more influence upon the relationship between unions and management than do the union leaders since management makes most of the decisions around shops.

The typical situation today in most shops is an "arm's length" relationship between management and union. This means that the management has as little to do with the union as possible. Representatives of the two sides meet to negotiate agreements and to adjust the grievances which arise under the agreements. If they become deadlocked over the interpretation of the agreement, they may submit their differences to an umpire.

Such a relationship as this is not sufficient to build up effective cooperation. It does not give management much opportunity to become acquainted with the problems of the union and of its members. Likewise, it does not give the union leaders much opportunity to become acquainted with the problems of the employer. Something more is obviously needed. That something more should be the arrangement for regularly considered problems of mutual interest—a regular meeting between union and management representatives, which considers not grievances but mutual problems. I know of a manufacturer in the Middle West who set up such an arrangement. He asked the union to have its shop stewards meet regularly with management once a month to consider non-grievance matters. He explained his reason in a sentence which has always seemed to me to be profoundly wise. He said: "I do not want men around here trying to represent my employees who are not familiar with my business." The union representatives in this company have had an opportunity to become

familiar with the marketing part of the business, with the work which the men in the marketing and sales department do, with the problems which they meet. One of the results is that the men in the shop are vividly aware of the dependence of their employment opportunities upon the efficiency with which the marketing department does its job.

This is one of the great challenges

confronting management today. Management can do the community no better service than to demonstrate it is capable of making effective cooperation between trade unions and management the normal state of affairs in American industry.

From an address by Sumner H. Slichter before the Nineteenth Boston Conference on Distribution.

Policies Regarding National Guard Service

A DRIVE is in progress to recruit a large number of men into National Guard service. To determine the trend of company policy in this connection, the Office Management Association of Chicago recently queried a number of companies in the Chicago area. Following is a summary of the replies:

Definite Policies: 62% of the reporting companies have definite policies on the matter. Of the 38% that stated that they had no definite policies, reasons for lack of policies were as follows: "Few men" (50%); "few belong" (38%); "none belong" (12%).

National Guard Activity Confined to Vacation Periods: Only 15% of the companies with set policies on this subject require that time off for National Guard activities be construed as regular vacation time; 85% grant additional time off for National Guard activities, but only a portion of these firms compensate employees for the additional time.

Salary Payments for Time Off: Of the companies that permit time off for National Guard activities in addition to vacation periods, 55% consider such time as "leaves of absence" and pay no salary for that time; 27% pay full salary in addition to compensation for the vacation periods; 9% pay the difference between National Guard compensation and regular salary for the entire time taken for National Guard activities; 9% pay the difference between National Guard service pay and regular salary for one week of the time taken off for such service.

Policy Changes Contemplated: Only 10% of the reporting companies are considering changing their policies as a result of the recruiting drive: 5% who now require employees to limit their National Guard activities to their vacation periods, are considering permitting employees to take additional time off without pay; 5% who now grant time off without pay are considering paying the difference between National Guard service pay and regular salaries for such time off.

Special Care Needed for Youthful Workers

CHILD workers run far more risk of accidents on the job than do adult workers, and they are twice as likely to suffer injuries that result in a lifelong handicap. These facts are revealed by a recent Department of Labor survey of industrial injuries in manufacturing industries.

Findings show that in 1945 the rate of disabling injuries to workers under 18 years of age was one and one-half times as great as for adult workers, and that the rate of injuries resulting in permanent impairment was nearly twice as great for the young workers. The frequency rate of disabling injuries was 22.9 for minors under 18 and 15.7 for workers 18 years of age and over, and the rate of injuries causing permanent disability was 1.1 for minors under 18 and 0.6 for the older workers. The rates are based on the number of injuries per million man-hours of employment.

—*Supervision* 12/47

What Chances of Organic Trade Union Unity?

WILL "organic unity" between AFL and CIO be achieved? In a questionnaire survey to determine union leaders' thinking, conducted under the direction of the Labor Division, Bureau of Applied Social Research, Columbia University, the leaders of each bloc were asked: "Regardless of what you would like to see happen, how much chance do you see for the AFL and the CIO to become one unified organization within the next few years?"

Answers to this question reveal strong differences between the AFL and the CIO. Out of 410 respondents to the survey, 60 per cent of the AFL leaders took a dim view of the probability of labor unity, with 43 per cent seeing a "slight" chance of it, 17 per cent, "none." Eighty-three per cent of CIO leaders polled concurred in this view, with 53 per cent answering "slight" and 30 per cent, "none." Ten per cent of AFL respondents, on the other hand, considered the chance to be "good," while 30 per cent said "fair." By contrast, only 3 per cent of CIO leaders answered "good" and 13 per cent, "fair."

Leaving the question of practical realities aside, what is the will of labor leaders as a group? Do they believe a merger is desirable or not? The leaders were asked: "From the standpoint of value to labor people as a whole, do you think the AFL and the CIO as nationwide organizations should within the next few years try to: (a) get together as a unified organization; (b) remain separate organizations but engage in all joint public activities and policies they can; (c) remain separate organizations and have little or nothing to do with each other; (d) fight it out

until one or the other loses as an organization?"

More leaders in both the AFL and the CIO feel unity is desirable than believe it can be achieved. Practically no leader is willing to say that the organizations should remain completely separate or that they should fight it out, but there is a definite difference between the AFL and the CIO answers as between getting together as an organization and cooperating as separate organizations: 84 per cent of the AFL leaders want to unite organizationally, as against 56 per cent of the CIO; 42 per cent of the CIO men (against 11 per cent, AFL) think they should cooperate as separate organizations. Replies indicated that city leaders are as likely as the key men at the head of national unions to want organic unity.

Just how is this attitude of wishfulness integrated with the practical estimates? Forty per cent of the AFL leaders, as against 13 per cent of CIO leaders, believe that the CIO and AFL should get together and that there is a good or a fair chance that they will do so. About 44 per cent of each organization say that the organizations should get together but that there is slight chance, or no chance, of their doing so. These latter are morally willing but practically pessimistic. Finally, there are those who say that the organizations should not get together but should only cooperate, and that there is slight chance, or no chance, of their getting together. These are satisfied with two independent labor blocs. Fourteen per cent of the AFL as against 39 per cent of the CIO fall into this bracket.

Unification of the labor organizations might possibly be achieved on the

basis of a common program of action. Very often from the standpoint of short-run expediencies no cooperation is possible, whereas if a broader view is taken the parties concerned might see a way of cooperation open to them. This possibility was considered in the following question: "Over and above the basic concern with such problems as wages, hours, and union security, do you believe that most U. S. labor unions have or have not any long-range economic and political program?"

Of the leaders on the national levels, the group that takes the most sober view of labor policies, 34 per cent of the AFL men and 62 per cent of the CIO men claim there is such a long-range program.

But what is the character of this

program? Those leaders who thought there was such a program were asked: "What are the main points in the unions' long-range program?" Fourteen per cent of the AFL and 11 per cent of the CIO leaders mention in their goals the union itself; 16 per cent of the AFL leaders as against 40 per cent of the CIO leaders have their eye on the national community when they speak of their program; 9 per cent of the AFL and 11 per cent of the CIO leaders mentioned the working class. As for broader goals—economic, social, and political—CIO leaders are twice as likely as are AFL leaders to have these in mind as labor's objectives.

By C. WRIGHT MILLS and HELEN SCHNEIDER. *Labor and Nation*, September-October, 1947, p. 14:3.

To Hold Workers

A PLAN designed to encourage employees to stay on the company's payroll has been inaugurated by American Electric Motors, Inc., Los Angeles, Cal. Under the plan, one-year vacations with pay will be given employees after 10 years' service with the firm. Meanwhile, workers will still get regular annual vacations with pay.

In addition a "personal holiday" will be given each employee every year—either on the employee's birthday or wedding anniversary.

To finance the vacation plan, A.E.M. is creating a trust fund for employees. The company will pay into it, at the start, 5 per cent of its annual payroll. That figure is subject to change.

The Collector of Internal Revenue has approved the trust fund contribution as a deductible business expense, provided the fund meets specifications that the revenue office lays down. One is that employees must retain a proprietary interest in the fund. Hence, if future business conditions should force A.E.M. to abandon its plan, or if the company should be dissolved, trust money will be shared by employees on a seniority basis.

The company plans to have job understudies. When an employee is on his year's vacation, an understudy will take his place. But the employee will have an unconditional guarantee that he will get his job back after his vacation, at the same rate of pay.

—*Business Week* 11/22/47

- DESPITE an increase in anti-union sentiment in the recent past, union membership has reached the greatest heights in American history. AFL reports 7,577,716 dues-paying members as of August 31—about 500,000 more than a year ago. Actual membership probably exceeds 8,000,000. CIO claims 6,000,000 members. For a grand total, add about 2,000,000 to allow for independent unions.

—*Executives Labor Letter* (National Foremen's Institute) 10/28/47

Making Effective Wage Surveys by Mail

FARSIGHTED managements today are much concerned about their wage structure and are taking steps to insure that their wage administration program is a sound one. Only when equal wage rates are paid for equal work is it possible to avoid the friction which finds expression in grievances, strikes, and labor turnover.

In constructing a wage scale, management has the final say as to what rates it is willing or able to pay. However, it must also be guided by the prevailing rates in the community. It is necessary, therefore, to contact several companies in the community (preferably those manufacturing the same line of apparatus) to collect data on prevailing rates of pay for jobs which are similar or comparable to the jobs of all grades represented by the proposed wage scale.

Effective wage surveys can be made by mail provided all information desired is presented clearly and can be interpreted correctly by the representatives of each participating company. To get uniform data from each company, general explanations and instructions should accompany the wage survey forms. Also questions relating to personnel policies and procedures should be included as a supplement.

It is absolutely necessary to provide well-prepared job descriptions. Job descriptions should be prepared in standard terminology so that each participating company will be able to identify them in terms of its own nomenclature. No attempt should be made to describe a specific job for any one plant. Job descriptions should be prepared in such form as to make them broad enough yet specific enough to represent work of a similar nature in any plant within the industry. Where possible, the description should include

the types of apparatus where such types used are similar throughout the industry, such as 70-hp motors, 125-kv generators, etc. (The company's own type of apparatus should not be included.)

To get more accurate information on rates, many occupations may have to be subdivided into grades; for example, there may be five separate job descriptions for assemblers, such as description A, B, C, D, E.

Those whose job it is to analyze each one of the job descriptions and grade them properly *must* be specially selected for this part of the survey. These men should be shop trained and have a thorough knowledge of shop jobs, classifications, and rates of pay in their own plant. It is of paramount importance that job descriptions reflect the degree of skill, effort, and responsibility required. When periodic wage surveys are to be made, it is imperative that the established jobs in the plant be correctly selected as being the ones that are equal in job content to the standard jobs listed in the wage survey. If the jobs are not properly analyzed at the time of the first survey, the chances are that the rates quoted for each periodic survey will continue to be out of line.

The survey form should be planned to show the following information:

1. Listing of all job descriptions for:
(a) production occupations for men;
(b) production occupations for women;
(c) maintenance and service occupations.
2. Number of dayworkers and incentive workers, and their earned rates, reported separately for each job and labor grade.
3. Guaranteed or minimum base rate and maximum base rate for each job description and labor grade.
4. Earnings tabulated to represent intervals of two or more cents or possibly five cents (or it may be requested that

the earnings be given as *minimum, maximum, and average*).

5. Information relating to personnel policies and procedures, as follows: physical examinations (pre-employment or periodic); unionization (what union; union shop; closed shop); shift differentials; basis of overtime pay; holidays observed (paid or not paid by company); vacations; unearned bonuses (Christmas bonus or profit-sharing bonus); separation allowance (when discharged for cause; laid off; entering military service); insurance and sick benefits.

Wage survey results are best summarized by transcribing the facts and figures from each participating company's wage survey to a group of specially designed summary sheets. For example, in one recently developed method of summarizing the results, the first sheet listed: the guaranteed or minimum base rate paid in each plant (for production occupations—men only); also, the low, high, and median rate for all plants. The second sheet listed: the guaranteed or minimum base rate paid in each plant (for service and maintenance occupations—men only); also production occupations for women;

also, the low, high and median rate for all plants. The number of sheets needed depends on the amount of detailed information desired from the survey. These summary sheets should be so designed that they will present comparative information in a simple and comprehensive manner.

The names of all companies contributing to the wage survey should be listed on a separate sheet and attached to the summary. Each company should receive a copy of the summarized report.

The information listed on the summary for each company contributing is usually considered confidential. Each company is identified by a code letter only. Sometimes each company is told by a personal letter what its code letter is so that the company can compare the way survey results with that of other companies.

From an address by A. McMurtrie before the NEMA Job Rating Conference.

Employee Interviews Recorded

TYPICAL of a new method of conducting employee interviews is that used by the Van Norman Company, Springfield, Mass. The interview is transcribed on a recording machine so that there can be no question afterwards as to what was or was not said.

The recording machine is placed in front of the interviewee, and he is informed that the conversation is being recorded.

Leo F. Hundercup, first vice-president of Van Norman, declares: "We feel that this method of interviewing is definitely superior as it detracts nothing from the personal interview and yet it makes the average man realize that a permanent record which cannot be faked will always be in our files."

—*Dun's Review* 12/47

- PREJUDICE is our method of transferring our own sickness to others. It is our ruse for disliking others rather than ourselves. We find absolution in our prejudices. We find also in them an enemy made to order rather than imminent forces out of our control. Prejudice is a raft onto which the shipwrecked mind clammers and paddles to safety.

—BEN HECHT in *A Guide for the Bedevilled*

Recent Occupational Trends

WITH reconversion completed, it is possible to appraise the long-range significance of the movements in major occupational groups that took place during the period from 1940 to 1947. A number of far-reaching changes evolved in the course of those several years, partly as a result of our achieving record levels of employment and income, partly as a continuation of long-term trends, and partly as a result of the war. Examination of the 1947 occupational distribution, in the light of these changes, provides insight into the prospects of growth for broad groups of occupations.

Professional and Semi-professional: The professional and semi-professional group accounted for 7.5 per cent of the total workforce in 1940; 6.1 per cent in 1945; and 6.8 per cent in 1947. Thus this group declined slightly in relative importance as compared with 1940, in contrast with the prewar long-term up-trend. The war interrupted training of many students in a wide range of non-technical professions, and these losses have not yet been made good. Also, many experienced professional workers, particularly school teachers, were attracted to better-paying jobs in other occupations. In the postwar economy, however, increased demands have developed for many types of professional services, particularly in such fields as teaching and civil engineering. Capacity attendance at colleges and professional schools in 1947 created strong likelihood of steady gains in the proportion of professional workers in the next few years.

Proprietors, Managers, and Officials (Non-Farm): This group gained in relative size both during the war and the first two postwar years as indicated by the rise in percentage of the total

workforce thus employed from 8.3 per cent in 1940 to 8.6 in 1945, and its further increase in 1947 to 10.2 per cent. During the war, a decrease in the number of proprietors of small establishments was offset by increases in employment of managers and officials in industry and government. After the war's end, there was some reversal in the movement; the Federal Government in particular contracted, while the number of small business firms expanded rapidly.

Craftsmen and Foremen: Despite a long-term trend toward breaking down of skilled crafts into semi-skilled machine operations, relatively more persons were employed as craftsmen and foremen in 1947 (13.3 per cent of the total workforce) than in 1940 (11.2 per cent). In fact, with the postwar increase in construction activity, and with manufacturing operating at peak peacetime levels, the proportion of skilled workers in 1947 was actually slightly above the wartime ratio. Increasing mechanization of industry will continue to reduce the importance of many skilled crafts in the productive process, but will require an ever-expanding maintenance force of mechanics and repairmen. In addition, increased demand for mechanics and repairmen may be expected to accompany the wider consumer use of household appliances, automobiles, and other mechanical equipment.

Operatives: In 1940, this group employed 18.5 per cent of the workforce; in 1947, 21.5 per cent. The increase in relative importance of operatives since 1940 reflects the much greater role of manufacturing in the postwar economy. It is also in line with the long-term trend toward increasing mechanization, which results in the up-

grading of laborers and the downgrading of skilled workers to semi-skilled operations. This movement received great impetus during the war in industries such as aircraft and shipbuilding, and made it possible for many women workers to enter these industries. Owing to the large-scale introduction of new machinery and equipment in peacetime industries, operatives may be expected to become an increasingly important part of the industrial workforce.

Laborers (Non-Farm): The war accelerated the diminishing importance of the laborer group and, despite the sharp postwar expansion in employment of building laborers, the group continued well below its relative level in 1940 (6.8 per cent as contrasted with 1947's 6.0 per cent). Technological advances are expected to continue to replace unskilled manual labor by machines.

Clerical and Sales: The clerical group accounted for 10.4 per cent of the total workforce in 1940, rose to 13.0 per cent in 1945, and declined to 12.4 per cent in 1947. The sales group, on the other hand, employed 6.5 per cent of the total workforce in 1940, declined to 5.0 per cent in 1945, and rose slightly, to 5.8 per cent, in 1947.

The white-collar group has, in past decades, consistently been one of the fastest growing in the nation. Development of the country's complex industrial economy expanded the needs for record-keeping and correspondence work and multiplied the number and variety of distributive outlets. In addition, the greater role of government in the economy contributed to the increased demand for clerical workers. The long-range trend and recent developments suggest that the white-collar group will continue to gain in importance.

Domestics: This group is one of the few occupational categories that declined in absolute numbers as well as in relative size after 1940 (when it was 4.9 per cent of workforce, as contrasted with 1947's 3.2 per cent). Essentially this is a by-product of the fact that domestic workers in good times take jobs in higher-paying occupations. The level of economic activity, therefore, will be a major determinant of the size of the domestic group.

Other Service Workers: Service workers in hotels, restaurants, amusement places, and the like, increased in importance during the war, when many consumer goods were not available. In the early postwar years, this group fell back in relative position, as the emphasis in spending shifted to purchases of all types of hitherto scarce commodities. Service occupations still retained, however, about the same proportion of all employed workers in 1947 (7.2 per cent) as in 1940 (7.3 per cent). As consumers replenish their stocks of goods, they are likely again to increase the proportion of their expenditures for services. The outlook, for employment of these service workers, therefore, is one of moderate expansion.

Farmers and Farm Labor: Agricultural employment accounted for 18.6 per cent of the workforce in 1940, 16 per cent in 1945, and 13.6 per cent in 1947. There has been a consistent long-term downtrend in the importance of agriculture as a source of employment. Improved farming methods and advances in transportation, refrigeration, storage, and food processing have made it possible for one farmer to feed more and more people. Despite the great expansion in agricultural output over the past decades, migration in the United States has been away from farms to expanding urban centers—

except in depression periods, when "back to the farm" movements have taken place. Continuation of the long-term decline in the relative size of the farm labor group may be expected to accompany further advances in the mechanization of farm processes. The

rate of movement away from farms, however, will fluctuate with the ability of industrial communities to absorb in-migrants from rural areas.

BY HAROLD WOOL and LESTER M. PEARLMAN. *Monthly Labor Review*, August, 1947, p. 139:9.

Yale Scholarships for Employees' Sons

THE Fafnir Bearing Company, New Britain, Conn., has announced annual scholarships to Yale University for sons of employees—present, retired, or deceased. Each scholarship is valued at up to \$1,000 a year and is to be used toward the expenses of the recipient in one of five engineering courses. One scholarship will be awarded annually to a student entering the Yale freshman class, and he will be eligible for annual renewals, thus making the maximum value of each scholarship \$4,000. The exact amount of each scholarship or renewal will depend on the financial need of the successful candidate as determined by the Yale committee on scholarships (top limit \$1,000 a year).

—*Notes and Quotes* (Connecticut General Life Insurance Company) 12/47

To a Man in a Bigger Job

WHEN one of the vice presidents of American Brake Shoe Company was made president of a division some time ago, he received the following advice in a memorandum from William B. Given, Jr., the company president:

Minor decisions often turn out to have been major ones.

After you are sure an old policy, method, or system is wrong, give yourself more time before changing it.

For people who make decisions easily, the danger is acting too quickly. They should be surer of themselves than men who are slow deciders.

Mental flexibility is vital. Suggest new ways to your employees, but remember that the individual's natural way is normally the best way for him.

Your mistakes in sizing up people during the first six months will correct themselves. As for your own people, you will be more apt to underestimate than to overestimate them.

Half the time the man who wants a quick decision feels that way because he isn't sure.

Whenever possible, leave the responsibility where it belongs.

Doubt! Doubt! Doubt! Doubt figures and doubt the *impossibility* of doing things differently.

Think optimistic figures and pessimistic figures—but use the latter.

Fight for people when you are sure they rate it.

Don't forget that as a vice-president you *recommended*, but as president you *decide*. It's different. You must be surer.

—*Management Briefs*, No. 13 (Rogers & Slade)

- ACCORDING TO the Conference Board, the invisible pay envelope—that portion of the employer's wage and salary bill that goes into social security taxes, health and welfare funds, etc.—in 1929 was 1 per cent of wages and salaries. Today, the Board estimates, it averages 4 per cent for all employers. By all signs, 1948 will see that figure raised appreciably.

—*Business Week* 11/22/47

PRODUCTION MANAGEMENT...

Efficiency Increased 40 Per Cent Under Profit-Sharing

AN unusual profit-sharing plan in use by the Quality Castings Company, a production foundry in Orrville, Ohio, has won the whole-hearted support of both management and employees.

Many of the jobs in the foundry, such as molding, handling and pouring of hot metals, shaking hot castings from the sand, are of a nature that might readily cause a worker to become unhappy and disgruntled or to lose interest in his work, especially if he feels that he is not being treated justly, that he has no opportunity of advancement, or that there doesn't appear to be anything to look forward to but just another tough day tomorrow.

There are about 115 men employed in the plant. Of these, 30 per cent are skilled workers, 40 per cent would be classed as semi-skilled, and the remainder, unskilled labor.

Before the present profit-sharing plan was installed, Quality was considered an efficient foundry. The fact that 60 per cent of the jobs in the plant were on a piecework basis helped make this possible. Since installation of the profit-sharing system, efficiency has gradually increased to where it is approximately 40 per cent greater than in 1940.

Under the plan, the company puts aside 50 per cent of the gross profits before taxes after deducting 10 per cent for capital investments. This is divided equally into three pools: seniority, aptitude, and attendance. For an employee to share in the seniority pool, he must be in the firm's employ for one year. At the end of one year, his share is one-tenth of a full share. At the end of two

years, he gets two-tenths of a full share, and so on, until at the end of 10 years he will get a full share of the seniority pool. An employee's share of the aptitude pool is based on his foreman's rating of his aptitude, i.e., his interest in his work, cooperation, and punctuality. To obtain a full share, he must be rated 100 per cent. If he is rated at 90 per cent, his share is nine-tenths of a full share of the aptitude pool. The attendance pool is set up on the total number of working hours in each period. Employees with 100 per cent attendance receive a full share. Those who do not have perfect attendance are paid a percentage based on the hours they worked. All new employees receive one-half share of the aptitude and attendance pools until they have been in the company's employ for one year.

When the payments are disbursed, if any deductions are made from an employee's profit-sharing check the employee receives an explanation of how much was deducted and why the deduction was made. These deductions are not retained by the company but are divided among the other men. This doesn't mean that if there were no deductions the other men would receive less, because if there were no deductions the company would have earned more and therefore there would be more in the pools to be divided. Almost without exception, an immediate improvement is noted after an employee receives one of these deduction notices. A notice is posted daily on the bulletin board telling the men how the pool is increasing, indicating the percentage of scrap and also the value of the scrap. The com-

pany keeps a daily profit-and-loss record, which has proved to be 95 per cent accurate. Men wait anxiously each day for the new notice to be posted.

Last year, the 115 men received \$61,000, which was 122 per cent of the company's capital investment. Stockholders received a 30 per cent dividend, or \$15,000. For the first eight months of 1947, the men received \$51,000. In one month alone, they earned \$11,000. It is anticipated by the company that the distribution for the year will total \$90,000 or about 180 per cent of the capital investment. This may create the impression that base rates are low. Such is not the case, however. The rates are as good as, or better than, the average in the industry. With the bonus, the average income of non-salaried workers will be a minimum of \$1.90 per hour. Remember, the company is located in a small town with a population

of 5,000. Some of these men will receive as much as \$1,600 in bonuses this year. It may also appear that because of the distribution of large sums, Quality's prices are high, but this is not the case either. Quality's prices are from 35 to 40 per cent less than the average in the industry.

The plan, in addition to raising the efficiency of the plant, has effectively cut absenteeism, raised employee's interest in their work to the point where they volunteer suggestions for increasing production and improving product quality, and improved cooperation both among employees and between employees and foremen. More than that, it has given labor and management a genuine opportunity to understand each other and to work together as a team.

By ANTHONY YONTO. *Employee Benefit Plan Review*, Fall Issue, 1947, p. 12:4.

Ten-Step Plant Control

BEST utilization of men and machines calls for reliable scheduling of production operations. Accurate scheduling of production, in turn, depends so much upon close control of machine downtime that it, too, must be scheduled. Unexpected electrical and mechanical failures must be reduced to the point where they become a negligible factor in over-all operations.

All this is important in any plant; it becomes vital in a plant like that of the Scott Paper Company, Chester, Penna., which runs 24 hours a day, seven days a week. And Scott has been able to do it by putting into practice the prin-

ciples of preventive maintenance and by regular planning of maintenance work.

This achievement involved the following ten-point program of improvements in organization and methods to eliminate the causes of unscheduled machine downtime:

1. *Setting up equipment records.* An analysis was first made of all plant equipment in order to establish a procedure for prevention of machine failure.

2. *Installation of area mechanics.* These "area" mechanics are responsible for regular inspection and lubrication of all equipment in their department.

To facilitate their work and to insure proper performance, daily, weekly, and monthly check lists were prepared for both lubrication and inspection of all equipment. These lists make it possible: (1) to control the performance of these men; (2) to isolate defective equipment prior to actual failure so that remedial measures can be taken to prevent breakdown or serious damage; and (3) to eliminate any previous sources of trouble through proper lubrication.

In addition to these duties, the area mechanics make adjustments and running repairs which keep equipment in service. At regular intervals, they overhaul certain designated units. As an integral part of maintenance planning, these men provide basic information used in effecting prompt repairs.

To establish the necessary facts, each machine and each of its integral parts or subassemblies was given a departmental ledger number for identification. A cross-file was set up, consisting of (1) a card for each basic machine section of each production unit, and (2) a card for each of the numbered parts or subassemblies in these sections. On the first group of cards is posted the nature of all repairs, replacements, or changes made to the machine sections. Similar entries are made on the second group to show the life history of each part or subassembly.

3. *Establishing work schedules.* At the end of a six-month period, on the basis of an analysis of the new equipment records, it was possible to predict the life of each machine part or subassembly, as well as to determine the nature and extent of repairs necessary to prevent failure. A regular overhaul period was then scheduled for each machine, based on the life of its weakest part. A check list was prepared for

each machine, outlining the work to be done during an overhaul.

4. *Improving machine design.* Concurrently with development of a preventive maintenance program, the engineering department redesigned all machines in the finishing department. This was a major job, but resulted in standardization of equipment and full interchangeability of parts.

5. *Planning shutdowns.* In planning for a machine shutdown, the mechanic and operators assigned to that machine make up a list of necessary repairs, based on their inspections. To this list is added the work to be done on those units of the machine scheduled for overhaul, such as pumps, reducers, and drives. The division manager then meets with representatives of the maintenance department to review the work and to establish the length of time needed for the overhaul. The machine is scheduled "out of production" for this period, and the maintenance department takes over the work. By such arrangements in advance of a shutdown, it is possible to plan for each job and to assemble parts and materials, and thus insure its being accomplished with a minimum of downtime.

6. *Working closely with engineering.* The maintenance department was made an integral part of the engineering division, under the chief plant engineer. Thus the maintenance department can get all possible assistance in the way of working drawings, materials specifications, development of new techniques, and engineering service for making repairs properly or for correction of equipment defects encountered.

One of the most effective means found to correlate these two activities has been the simple expedient of a meeting held at the start of each day. This meeting brings together the key men in

the maintenance and engineering departments for a free exchange of ideas on their daily problems—past, present, or future, and for a review of work orders.

7. *Setting up special service shops.* The maintenance department has been divided into two groups: the electric shop, assigned full responsibility for the inspection, lubrication, and repair of all electrical equipment, refrigeration, and air-conditioning, and the service shop, set up to render service to any department in the plant.

8. *Improving maintenance shop.* A paper layout of the company's shops was made, and equipment relocated to provide the best possible working areas and clear aisles, and to minimize work handling. Materials-handling equipment was provided. Obsolete equipment was replaced with modern machine tools. New types of tools were added, such as a balancing machine, a multi-duty saw, and a lathe of sufficient size to handle the largest unit to be serviced in the plant. The electric shop was enlarged and properly equipped to handle work done in its field.

Installation of fluorescent lighting, combined with color-conditioning of the shops, not only improved working conditions and boosted morale but also resulted in better quality work. Good housekeeping in the shops followed naturally.

9. *Installing parts-control engineer.* A parts-control engineer, under the chief plant engineer, inspects all incoming materials or parts, either from the company's shops or outside suppliers, against specifications issued by the engineering department. Any item not satisfying requirements either is rejected or must be modified to make it acceptable.

10. *Setting up spare-parts control.* The central storeroom did its part by reviewing its stock of spare parts and stock materials with the maintenance department. Based on needs thereby revealed, proper stock levels were established and new items were added so that delays occurring in purchase or manufacture could be eliminated.

By HENRY S. GODSHALL, JR. *Factory Management and Maintenance*, November, 1947, p. 120:4.

Using Aging Employees to Best Advantage

OLDER workers are as dependable and cooperative as younger employees, or more so, according to more than one of every three executives surveyed on maximum hiring age by the Conference Board. Experience with older workers hired as a result of the wartime labor shortage added to the experience with older workers of long seniority has, in numerous instances, revealed the desirability "of establishing carefully determined physical standards instead of maximum age limits" to be applied in recruiting and selecting new employees. In fact, only one out of 10 companies has a definite policy with respect to a maximum hiring age.

Aging workers who begin to "slow down" are shifted to suitable jobs in practically all the cooperating companies as a regular procedure. In most instances, the rate of pay is adjusted to conform to the new job, though several companies have the policy of paying the top rate of the new job under these circumstances. In about 10 per cent of the companies, the aging worker who is transferred continues to receive his regular rate. Diminishing efficiency among old employees is "overlooked" with no transfers or rate adjustments being made in two of the companies.

—*Supervision* 12/47

Output Per Man-Hour in Selected Manufacturing Industries in 1946

IN view of the current widespread interest in productivity, the Bureau of Labor Statistics has undertaken a general review of its indexes of output per man-hour and associated series for manufacturing industries.

There has been extensive demand for 1946 data, and accordingly preliminary estimates have been prepared prior to completion of the revisions. Users are warned not to extend any previously published series on the basis of the percentage changes shown below. The revisions being made in the indexes over the period 1939 to 1945 may result in substantial changes for some industries from levels shown in previous releases. However, it is unlikely that the revisions and adjustments will substantially affect the figures on per cent change from 1945 to 1946 shown here.

Output per man-hour refers to production, in physical units, per man-hour of work. It is a measure of the relationship between the volume of goods produced and one factor of input—labor time. The figures presented do not measure changes resulting from the specific contributions of labor or of capital or of any other factor of production. Changes in the ratio between output and man-hours of work show the joint effect of a large number of separate, though interrelated, influences such as technical improvements, the rate of operations, the relative contributions to production of plants at different levels of efficiency, the flow of materials and components, as well as the skill and effort of the workforce, the efficiency of management, and the state of labor relations.

The level of output per man-hour for 1946 was above that of the previous year in 18 of the 23 individual manufacturing industries for which data are available. Gains are negligible or small for five of the industries; advances of from 5 to 10 per cent were made in nine industries; and increases in excess of 10 per cent occurred in four industries. Five industries experienced decreases in output per man-hour ranging up to 5 per cent. In most cases, increases in output per man-hour were associated with higher levels of production as industries completed their first full year of postwar activity.

It cannot be assumed that the trends presented in the table are typical of all manufacturing industries. For the most part, the industries included are producers of consumers' non-durable goods.

OUTPUT PER MAN-HOUR IN SELECTED MANUFACTURING INDUSTRIES

Percentage change, 1945 to 1946

Beet-sugar refining	+8
Bread and other bakery products.....	+7
Cane-sugar refining	-2
Canning and preserving group	+9
Canned and preserved fruits and vegetables.....	+8
Canned and cured fish	+9
Cement	+18
Clay construction products	+22
Condensed and evaporated milk	-1
Confectionery	+1
Cotton goods	+1
Fertilizers	+17
Flour and other grain mill products	-5
Footwear (except rubber)	+5
Glass products	+5
Hosiery	-2
Ice Cream	+36
Leather	*
Malt Liquors	
Nonferrous metals: Primary smelting of copper, zinc and lead.....	-1
Paints, varnishes, and colors	+9
Paper and pulp	+6
Tobacco group	+4
Cigars	+6
Cigarettes, chewing and smoking tobacco and snuff.....	+1

* Less than +0.5 per cent.

Depreciates at 10%—Reinvests the Same Year

EVERY dollar that the Dodge Manufacturing Corporation writes off its books for depreciation allowance on machinery and equipment it spends during the next 12 months to buy machinery and equipment. For 10 years the company has followed this policy without deviating except by spending more than the reserve in some years. Actually the policy was established a few years prior to 1937, but until that year it was only theoretical; whenever possible, the firm held back a little cash and thus spoiled its claim to an even longer unbroken succession of 100 per cent replacement outlays.

The firm justifies this policy of reinvesting its entire depreciation annually by pointing out the following facts:

1. The time taken in any manufacturing operation in the plant is today no greater than it ever was, despite all of the influences that tug in the opposite direction.

2. Direct labor cost, in dollars per ton of product, is no greater than in 1941, though wage rates on direct-labor jobs have almost doubled and though the average size and weight of a unit of production made in the company's plant has decreased considerably.

Of course a business does not operate in a vacuum, and other influences besides the 100 per cent replacement policy may have exerted parallel forces. The most important of these similarly operative factors have been: change in character of product, and increasing total output.

Dodge goes even further than reinvesting all the tax-allowed charge-offs in the same fiscal year. It charges off depreciation at a rate beyond what the Federal Internal Revenue authorities allow in computing tax deductions. The government permits depreciating what it defines as "machinery" over a

period of sixteen and two-thirds years or at 6 per cent per annum; the rate for "equipment" is 20 years or 5 per cent. Since these rates seem less than adequate to the management of the firm, not only for tax purposes, but also for operating the plant properly, the company sets up its own depreciation policies for a composite average of about 10 years or 10 per cent, though this puts it at current disadvantage tax-wise.

Eventually, if actual experience proves to the tax authorities that this greater rate of depreciation is correct and that Dodge is able to obtain on the average only 10 years of profitable life from machinery and equipment, presumably they will make an adjustment in the company's favor. As things are working out, the management feels reasonably sure that over the years the facts will bear out the correctness of its depreciation policy.

The managers of the company, in their thinking about machinery and its replacement, set up a distinction between primary and secondary production tools which might not apply in plants with a different set of manufacturing operations. These classifications do not include equipment such as materials-handling units which perform functions auxiliary to the actual primary and secondary production.

The management is entirely willing to wear out a primary production machine in 10 years or less for the sake of getting the maximum current output, rather than nurse it along so that it may outlast its greatest utility as an instrument of top efficiency. This does not, of course, constitute a reason for slighting maintenance or otherwise neglecting the machine tool.

The problem of obsolescence in the plant is entirely different with second-

ary production tools, because their contribution to total cost of product is relatively insignificant. These machines are kept within their rated capacities, insofar as possible, and treated considerately in all respects.

These differing policies in the use of primary and secondary classes of production tools do not carry through into the actual decision of what the company will buy with this year's depreciation money. This is re-spent for whatever will give the best results in the plant, regardless of whether it is a primary production tool, a secondary production tool, or auxiliary equipment such as hoists or lift trucks.

The firm's entire supervisory staff, starting with foremen, are kept constantly abreast of developments in machinery and equipment on the market.

The foreman plays an important part in the purchasing of any major piece of machinery. He is the man who must use the machine and get out the production. Accordingly, he usually goes out with one of the engineers or production men to have a look before a commitment is made.

Six months or thereabouts before the end of the fiscal year, the firm normally sets about making a list of what is needed for the plant. If the boys in the production and manufacturing departments ever should come up at this stage of the proceeding with requests aggregating less than five times as much as the firm could conceivably afford to budget for the purpose, the management would feel that they had lost a desirable part of their enthusiasm. The assistant superintendents ordinarily whittle this dream-world down to half the original total. In the course of being worked over again and again in other informal talks with the folks who originated the items, the list shrinks to perhaps double the figure that will eventually appear on the budget.

At this point, it is reduced to writing and forwarded to top management, who approve the most promising projects and throw out the rest. If the final figure exceeds the depreciation, the budget is submitted to the board of directors for approval. The firm makes it a rule never to approve in the original appropriation a dollar value equal to the budget. If \$400,000 is budgeted, the manufacturing department can expect authorizations totaling \$300,000 to \$325,000 worth of purchases with the status of "must." The other \$75,000-\$100,000 is held back to cover oversights in planning, unforeseen emergencies and developments which experience demonstrates will bob up during the fiscal year looking so important that they simply cannot be put off. As it is, before the fiscal year closes, the authorizations beyond original intentions usually have to be boosted.

An inevitable result of buying modern machine tools is that total capacity increases. The new unit almost always turns out more pieces, at lower cost.

Dodge has made five complete shifts of manufacturing method, each process being more productive and more economical than its predecessor. Most of this has occurred through the replacement policy described here, using funds provided by depreciation write-offs. Departmental capacity has also been increased by the conventional route: using capital funds to buy new machinery and equipment, thus adding to invested capital. But even if the company had not been compelled during recent years to keep increasing output and shifting production processes, this policy of spending the entire year's depreciation charge-off or more would have proved itself profitable.

By E. M. CARVER. *American Machinist*, October 23, 1947, p. 101:3.

MARKETING MANAGEMENT...

Getting Your Money's Worth at the Post Office

TO remind direct-mail users that Post Office is more than a game to be played by the not too young and envied by the not too old, the operations of the post office will be described here and suggestions offered that should help direct-mail users get their full dollar's worth of postal value.

First, let's see how the post office classifies mail:

First-class mail includes letters, postal cards, post cards (private mailing cards), business reply cards and letters in business reply envelopes, matter sealed or otherwise closed against inspection, and all matter wholly or partly in writing, whether sealed or unsealed, except manuscript copy accompanying proof sheets or corrected proof sheets of the same and the writing authorized by law to be placed upon matter of other classes. *Any kind of typewritten letter, carbon or letterpress copy, even though reproduced in quantity, must be prepaid at first-class postage rates.*

Second-class mail includes newspapers and magazines.

Third-class mail consists of printed circulars, books, catalogs, merchandise, miscellaneous printed matter, and all mailable matter (except first- and second-class) *weighing 8 ounces or less.* Circulars and miscellaneous printed matter of the third class, unless a "self-mailer" (one that requires no envelope), must be mailed in unsealed envelopes or wrappers. Self-mailers must be so folded that it will be possible to inspect the entire inner surface of the mailing piece without breaking the seal used to hold the piece together.

(It is well to note that "printed" is accepted to mean any type of reproduction upon paper: lithographed, multigraphed, mimeographed, etc.)

A multigraphed, mimeographed, photo offset or processed letter, personalized with the name of the addressee, hand-signed with the sender's signature, may be mailed under third-class rates, in a minimum number of 20 identical copies in unsealed envelopes, which must be presented at a post office window or depository designated by the postmaster.

It is also permissible to personalize a booklet or folder with the recipient's name without affecting its third-class status.

Fourth-class mail must weigh in excess of eight ounces, and includes books, circulars, and other matter wholly in print, proof sheets, corrected proof sheets, and manuscript copy accompanying same, merchandise (including farm and factory products), and all other mailable matter not included in the first, second, or third classes. It must not exceed *70 pounds in weight nor be greater in size than 100 inches in length and girth combined.*

With that brief résumé as background, here are some suggestions that may be helpful, particularly in these days of slow mail deliveries:

Metered mail. You can get mail through the originating post office lots quicker if you use metered mail. Ordinary stamped mail must be *faced* (arranged with addresses on top and stamps in upper right-hand corner) and the stamps canceled before it can

move along to the sorting tables. Metered mail (which must be tied in packages before it is deposited in letter boxes or delivered to the post office) does not require cancellation, and now that meter machines are available again it might be worth your while to investigate their value to your business. *Though you may have no meter machine, you will still save one operation and speed your mail if you tie it in small faced packages.*

Zone numbers. Actual tests show you will save between 12 to 36 hours in getting your mail delivered if you use zone numbers as part of the address. There are several ways to use them: (1) In your advertising be sure your own zone number is shown in your address. (2) If you have mailing lists, *you can have them zoned by the post office free of charge.* Just put your list on cards or sheets and separate them into the cities that have zone numbers. Your postmaster will send the various lists to the proper city for zoning. He will make no charge for sending a list to New York, or Chicago, or San Francisco, nor will there be any charge made by the other postmasters to get the list back to you after it has been checked for zone numbers. One recent request to a postmaster to get zone numbers took the list more than 500 miles away and yet it was zoned and back in less than two weeks.

Following are some hints that should be helpful in the preparation of your advertising mail:

1. *Count the pages of your booklets and catalogs.* A 24-page booklet with at least 22 pages printed costs only eight cents a pound to mail, under Section 562, P. L. & R. (You can get complete information about the special rates and special rules covering this section from your local postmaster.) A booklet of fewer pages, while per-

haps less costly to print, costs 12 cents a pound (50 per cent more) to mail. Check your costs, for *it may be cheaper in the aggregate to print and mail a 24-page booklet than one of 20 or even 16 pages.*

2. *Weigh your mail—it's cheaper than counting it.* Study the regulations concerning Section 562 P. L. & R. which permit you to mail in bulk and pay by the pound, rather than the piece.

3. *Identical does not mean identical.* "Identical" in post office parlance is literal only in the physical sense. Under Section 562 P. L. & R., if the physical details are identical the copy can change on every 20 pieces and still be permissible mail matter under this section.

4. *Watch your weight.* Check the weight of your mailing carefully. Paper picks up moisture and weight in damp weather. If your mailing is close to the line, it may be delivered with "postage due" stamps attached. Remember; Nobody *likes* to pay for advertising—even yours!

5. *Special delivery and special handling don't go together.* Don't ever use both on the same package. *Special Handling* gets first-class handling for you only to post office addressed. *Special Delivery* gets the same thing *plus* a special messenger to deliver it.

6. *Mail it at the right time.* Get a train schedule from your postmaster. You'll find it saves time on delivery. He'll show you that you may save as much as 24 hours on delivery by getting your mail to his office at 3:30 instead of 4:00 o'clock.

7. *Check your mailing list—nobody else will.* See your postmaster for instructions on the use of Form 3547. The greatest compliment to your prospect is his correct name and address on the mail you send him. Correct addresses save you money, too.

8. *Canada is not part of the United States.* If you are going to mail any advertising into Canada, remember this: Advertising and printed matter, when in individual packages valued at not more than \$1 each, and *not* designed to advertise the sale of goods by any person in Canada, does not have to carry customs duty stamps and is ad-

mitted free into Canada. If, however, you do have Canadian representation of any sort, find out how much your mail weighs, buy the required customs stamps (the amount depends on the weight), affix them firmly to the back of your mailing pieces. If you don't, the mail will be stopped at the border.

Printers' Ink, July 25, 1947, p. 36:3.

Keeping Track of 18,000 Customers

TO insure regular attention of its sales force to its 18,000 customers in Allegheny and Beaver Counties, Penna., Duquesne Light Company has installed a system that provides both sales control and a customer record.

A master file in the central office contains visible record cards for each of the 18,000 customers. A duplicate visible file is maintained in each district office, covering the customers in that area. The cards are filed, first alphabetically by towns, then by streets, finally by street numbers.

Only two forms are used in the system. The first—a tan colored card, printed on two sides—contains a complete record on the customer and remains permanently in the master file; the second—on pink stock—is a duplicate of the first. Every week 50 of these pink duplicates, or "B" cards, are removed from the master file and sent to each salesman for coverage during the following week.

The cards are selected in street number order, and are to be called upon in that order, eliminating the common fault of the salesman—that of jumping about and crisscrossing through his territory. The salesman uses this pink card to record all new and pertinent information about, as well as his progress with, the customer.

Each day the salesman forwards to the central office all the pink cards representing the day's calls, together with his daily report and a copy of the master card which is maintained in the district office. At the central office the original cards are posted from the salesman's report and the pink cards. The branch or district office cards are also posted and returned to the district office file; the originals are returned to the master file.

Salesmen determine the call frequency for each customer, basing it upon the size and importance of the customer. The call frequency is indicated on the pink tickler card, and the date of the next call must be shown on the salesman's daily report.

On the pink card the salesman indicates the mailing of suitable sales promotion material. These pink cards are routed to the sales promotion department, which handles the mailings indicated. Then they are returned to the pocket in the master file. Thus a call is completed, all the records are posted, and the file signal is set so the card will come up automatically at the time of the next indicated call.

—*American Business* 6/47

AMA MARKETING CONFERENCE

A Conference of the Marketing Division of the American Management Association will be held on Thursday and Friday, March 18 and 19, 1948, at the Hotel New Yorker, New York City.

Building and Maintaining Direct Mail Lists

PRACTICES of various types of concerns in acquiring, classifying, and checking mailing lists* as revealed by a recent survey conducted by the Policyholders Service Bureau of the Metropolitan Life Insurance Company have, for the most part, wide applicability and may be used, with modification, in many kinds of business. Because of this applicability some of the practices indicated by the survey are presented here.

Mailing lists may be purchased, compiled, or built. The built list—which will be dealt with here—is one the company itself originates, obtaining names from many sources, such as salesmen, customers, advertising.

Through organized programs, several companies educate salesmen in the importance of mailing list work and describe the best methods of securing and classifying names. In some cases, letters are written and promotional literature distributed to salesmen to sell them on the value of contributing names for the list. Incentives are often used to arouse salesmen's interest. Contests are conducted and prizes given to the salesman having the highest percentage of closed sales as a result of names he has submitted.

Many companies prescribe rules for salesmen to follow before a name can be added to the prospect list. For instance, a manufacturer of farm equipment, who sends out direct mail from branch offices, has a plan which he claims produces only the most logical prospects for the company's merchandise. Each dealer has a "Dealer's Service Register," which contains forms to be filled in giving detailed information about the names, showing

just what their possibilities are as prospects for the company's products. The company's salesmen, working out of branch offices, go through the dealers' registers and select the best names. A direct mail campaign is then drawn up to meet the specific requirements of each dealer. Under this plan the mailing lists do not become overcrowded with dead names because the salesman acts as buffer between dealer and home office.

Many firms find that names used by non-competing organizations are valuable as prospects for their own products. When lists are exchanged, it is the usual practice for each company to address and mail the material sent out by the other concern.

Employees are often asked to submit names of friends and relatives who may be prospects for the company's merchandise. Usually some reward is given either for the names or for closed sales resulting from names submitted. Contests are often employed to arouse enthusiasm.

Stockholders are usually willing to furnish names of live prospects because of their direct interest in the business. An interesting example of a successful plan is that used by a steel products manufacturer. This company sent out a letter to a thousand stockholders asking each for the names of 10 prospects. The stockholders responded with enthusiasm, and instead of 10 names an average of 20 were received. A record of the campaign showed sales of \$200,000 in less than one year to prospects whose names had been submitted by the stockholders.

After the names of prospects have been secured, the next problem is to classify them properly. The kind of classification to use may depend upon

* See also: "Secret to Direct-Mail Success: Your Mailing List," THE MANAGEMENT REVIEW, June, 1947.

several factors. If the products are diversified and are sold to many industries, classification by product or by industry may be the best type. The company's organization setup may also affect the classification. If its selling area is divided into well-defined territories, branches, districts, etc., it may be best to classify the mailing list geographically. Each case requires individual analysis.

In some instances it will be found that the classification is based on the results obtained in circularizing names. For example, one company checks its mailing list with the sales department regularly, and names which are not producing are transferred to a separate list. Different appeals are made to the two groups.

In addition to the foregoing methods, classification is done: according to dealers or salesmen; by line of merchandise purchased; according to type of mailing to be sent; by size of town in which prospect is located; by the department purchased from; by sex, age, and other personal characteristics; by size of account; according to domestic and foreign mailings; and alphabetically.

A common method of checking mailing lists for accuracy and for prospect interest is to write each prospect, enclosing a return postcard. Another method is to write the customer when he fails to send in an order within three months, asking whether he wishes to be retained on the mailing list. If no reply is received and the customer does not order within a reasonable time after the checkup, the name is removed from the list permanently. A modification of the latter idea is to use a questionnaire when considerable information is desired. Still another method is to print the interrogation, "Is your address correct as we have it listed?", on

monthly statements, invoices, and other communications.

Some firms make it a practice to divide the mailing list according to territories and send out the names to salesmen or dealers to be checked. This is most commonly done yearly, though some companies have their lists checked in this manner as often as three times a year.

In some organizations the sales manager personally goes over the mailing list occasionally, usually by reviewing sections of it periodically.

One company inserts its discarded cards in a special file arranged alphabetically, after noting on the card the reason for removal. New names to be added to the mailing list are checked with this file. Thus the company can sometimes determine why it failed to sell the prospect when the name was on the list and perhaps can remedy the procedure in future promotional efforts. Also, reference to the old card may reveal some reason why the name should not be reinstated, as there may be factors which eliminate the name as a genuine prospect.

Some advertisers who are not certain their mailing lists are up to date make a test mailing to part of the list. From this sample, they are often able to determine the condition of the complete list. A variation of this plan is to send out a preliminary mailing to the complete list.

Postal regulations permit the checking of mailing lists by postmasters. A small charge is made. Postmasters are allowed only to correct lists and are not permitted to list new names.

In addition to selling mailing lists, mailing list houses also provide a service for keeping a company's mailing list, corrected and up to date.

Some firms send out their mailing lists to selected individuals in small

towns to be checked. For a consideration, such individuals as justices of the peace, young lawyers, express agents, and bank employees are usually willing to cooperate.

From *Building Direct Mail Lists*,

Policyholders Service Bureau, Metropolitan Life Insurance Company, New York. 33 pages. Issued to Metropolitan group policyholders; limited supply available to fill requests of other executives.

Getting Reports from Salesmen

SALES MEN don't like paperwork. Management, on the other hand, needs reports from the field.

Probably no sales executive would contradict either of those statements. Probably, too, no executive would claim that his company's system for solving the problem of getting in field reports is perfect. If your present system needs improving, you may find valuable ideas by studying the practices of other organizations. Presented here are some of these practices, as revealed by a Dartnell survey of 75 representative companies to determine the kind of information their salesmen are asked to furnish, the interval at which reports are submitted, the system used to encourage the men to send them in, and the degree of success achieved.

General feeling among contributors whose reporting systems are operating most successfully seems to be that the information requested from salesmen should be kept to a minimum. There is little necessity, for instance, for the salesman to dig out credit ratings when this can be done with equal ease by a clerk at headquarters. Many companies have also designed forms to simplify paperwork, so that much of the desired information can be indicated by check marks by the salesmen. In this connection, it may be noted that a few organizations are experimenting with simple recording devices which

allow the salesman to "talk his report" on a record that can be played back by the sales manager at his convenience.

Though the kind of information requested from salesmen varies from company to company, two basic considerations are usually involved: Headquarters wants to know where the man is and what he's doing, and also desires information on consumer attitudes. One sales manager says:

We are hopeful of getting from the field a weekly report showing the individuals called upon, the condition of their stock, the amount of competitive merchandise which they are displaying, and remarks regarding the customer's attitude toward the company itself as well as toward various items in the line.

Another company reports:

Our salesmen send us letters once a month on conditions. These are facts and comments on the following subjects: business in general; customer reports; product reports; new ideas; competitive activity; salesmen's complaints. These reports come to us in their own words. There is no specified form. It is actually a letter written in to the house once a month, and we do seem to have pretty good results getting the men to write about their territories.

Now, I think one thing that has helped, probably, is that we in turn issue a monthly letter out of the main office to all the salesmen telling them what is going on here—anything about new products coming up, how we are getting along with certain things that affect them, such as the purchase of new automobiles, the purchase of new molds; giving them some of the comments we got from our letters

out of the field; patting a few fellows on the back once in a while; and that sort of thing.

All our salesmen have commented that they like this monthly letter out of the main office to know how they are going, and we believe the secret of getting them to write us has been that we write to them.

Several contributors are now using systems under which the salesman does not report at all on a daily basis, or simply reports his actual activities, leaving such matters as competitive activities and market trends to be included in a more general report made up at longer intervals.

Comments of the sales manager of one corporation are of interest in this connection:

We find it difficult to secure prompt answers from our salesmen on various requests, and it is usually necessary to follow up by telephone. An analysis of this problem would indicate that we are probably at fault in asking for too many reports and making them appear complicated.

We have found more prompt response to letters asking four or five questions, with the suggestion that the reply can be made right on the letter in pencil. Another successful practice has been to assign subjects to various salesmen for discussion at a sales meeting. This makes it necessary for each man to study his problem, and we generally find other salesmen quite willing to enter into the discussion, which gives us most of the answers we are seeking.

The information we want from the field includes forecasts of volume, price and competitive situation, reports on major calls, reports on complaints, competitive activity, etc.

A fairly new type of report that seems to be gaining ground is the analysis of lost sales. A report of this type does a double job in requiring

the salesman to evaluate his own performance and in showing the home office flaws in company sales strategy.

The basic psychological appeals used to get in reports are intended to convince the salesman that his paperwork is valuable to him and to his company. Probably the most common method of doing this is by a system of acknowledging or somehow commenting upon the material in the reports, to show the men that they are read. One firm's general sales manager made this comment on his organization's program:

We write personal letters to our men at least two or three times a week and sometimes more if circumstances justify. If we have a general question that calls for a number of opinions it is then a matter of issuing a bulletin to "All Salesmen and Brokers" and we encounter little trouble in getting prompt replies. . . . We always make it a practice to answer each and every letter coming in from the men. While we do not necessarily agree with every field man's suggestions, we do show him the courtesy of a reply; in so doing it is our belief that we come closer to cementing relations between the main office and the salesmen.

Of course, not every organization is set up to answer each comment from each salesman. Several contributors said they make it a point to reply to at least every second or third report from each man.

A somewhat related technique, mentioned by one firm, is to digest the material from the reports for publication to the entire staff. This has the double advantage of assuring the man that his reports are valued and of passing along good ideas through the organization.

The Dartnell Corporation, Chicago, Ill.

- THE GREAT MARKET of women customers (14 years and over), who control the purse strings of the nation, is expected to show a total rise from 1940 to '50 of over 5,000,000—from 50,549,176 to 55,835,000.

—*Printers' Ink* 10/10/47

FINANCIAL MANAGEMENT...

Recent Changes in Corporate Annual Reports

MORE attractive and revealing annual reports are being produced by management. New terminology has entered the picture. Fewer exceptions clutter the auditor's certificate. Practice does not always follow the development of accounting theory. Such are the salient findings of a study of the annual reports to stockholders of 20 corporations for the seven years from 1940 through 1946, plus the reports of 20 additional corporations for 1945 or 1946.

Increasing use was made of photographs, charts, and color throughout. Graphic presentations, utilizing the commercial artist's techniques, emphasize relations which otherwise might go unnoticed.

Though much has been written about the increasing importance attached to the income statement, reports to the stockholders have not followed this theory. Of the 20 financial statements studied, 12 in 1940 and 11 in 1946 placed the balance-sheet ahead of the income statement. The income statement combined with, or followed by, the surplus statement preceded the balance-sheet in five cases in 1940 and in six cases in 1946. In 40 statements for 1945 and 1946 the balance-sheet was placed first in 29 cases and the income statement first in 11.

The combined income-surplus statement was used in three of the 20 statements in 1940 and six of the 40 statements for 1945 or 1946, so no great gain in the popularity of this arrangement is revealed.

Detailed study of the 20 statements shows that the general order of presen-

tation of seven of them was rearranged between 1940 and 1946. Four of those statements which had the balance-sheet first in 1940 had the income statement first in 1946; three made the opposite change.

Twenty-five multiple-step income statements were examined to determine the number of intermediate profit figures before final net profits were determined. The number of items labeled "profit" (or some variation of it) and subtotals without titles, including the final figure, ranged from two to eight, with four such items as the most common number (appearing in eight of the cases).

The 20 income statements studied for 1940 included 19 multiple-step statements and one incomplete statement. Of 40 statements studied for 1945 or 1946, 27 were multiple-step, 10 were single-step, and three were incomplete. Some of these 10 single-step statements probably should be called modified single-step or hybrid income statements for they have some of the characteristics of both.

The distinguishing characteristic of the single-step income statement is the arrangement of all gross income items at the top of the statement, followed by a listing of all costs, expenses, and taxes (income and other), to arrive at a total of all deductions from the gross income, which, when subtracted, gives the net income for the year.

The arrangement and spacing of the balance-sheets reviewed were improved during the period, but the changes in form were not so great as for income statements.

In 1940 the orthodox balance-sheet, equaling total assets and total liabilities, was used in all 20 cases. By 1946, 18 of these 20 statements were in the orthodox form with one slightly condensed by use of separate schedules to give detail of individual items. The simplified, or current asset minus current liability, balance-sheet was used in two cases.

Balance-sheets in reports to stockholders are presented in comparative form more often now than in earlier years. In 1940, two-thirds of the balance-sheets studied (13 of 20) had data for only one year; and the remainder had data for two years. By 1946, the fraction presenting data for only one year had decreased to two-fifths (eight of twenty) and comparative data was presented in the remaining statements.

A minor point of interest observed during this study was the increasing tendency to discard the pennies on published financial statements. In 1940, two-thirds of the statements presented all money amounts to the exact penny. In 1946, pennies were not shown in two-thirds of the statements.

Auditors' reports now contain fewer exceptions than at any time in the last seven years. During the war, almost every report contained one or two exceptions, but half the reports had no exceptions whatever in 1946. The most common exceptions dealt with changes in accounting techniques, the inability

to verify government receivables by usual methods, examination of foreign subsidiaries by other accountants, exclusion of foreign subsidiaries during the war, and the reinclusion of them after the war.

One conclusion that might be drawn from this study of a small sample of published financial statements is that any attempt to simplify them in recent years has been almost nullified by the unusual transactions that have occurred and will continue to crop up in statements for several years. Whether simplicities or complexities become the accepted method of presentation depends upon the accountants' maintaining enough flexibility in their thinking to present unusual situations without unnecessary elaboration.

At the risk of forecasting from a small amount of data, it appears that the form of the balance-sheet and income statement might change so much that their usual forms will be reversed, one for the other. At present, the "balanced" income statement has the addition and total features of the balance-sheet and the current asset minus current liability statement has the subtraction and remainder features of the orthodox income statement. That, it seems, is one of the most important developments in financial statements in many years.

By ROBERT H. GREGORY. *The Journal of Accountancy*, November, 1947, p. 386:11.

"Here Comes Experience"

THIS is how the top executive of one of America's large department stores meets troubles: When trouble breaks, instead of trying to sidestep it (which is seldom possible) he greets it with his own private hand-hammered slogan: *Here comes experience; keep your eyes open.*

He reports that he has learned practically all he knows about the department store business from troubles, big and little. "Experience nearly always comes camouflaged as trouble," he observes, "and experience is what pays the good salaries, in this or any other business."

—*Management Briefs*, No. 14 (Rogers & Slade)

A Company Training Program for Accounting Personnel

THE principal purpose of this paper is to outline the scope and present some of the details of a plan, which is in practical operation, for the training of new accounting employees. The plan presupposes no industrial experience on the part of the trainees but a degree of general knowledge and training approximating that usually afforded by a college education.

The objective is to help each trainee to bridge the gap between the theory he has learned in school and the actual application in the field, and to avoid the "sink or swim" method of immediately placing on the job a new employee who has received only the short period of instruction given by the vacating incumbent.

The total time required for the complete program is two months. As each segment of the accounting process is studied, the instructor reports to the training supervisor on the alertness, concentration, participation in discussions, and other personal qualities of the trainee. At the completion of the training course, the trainee is assigned to a specific position.

The program takes the form of 19 courses of varying length:

- (1) company organization and plans for the future (to which five days are devoted);
- (2) scope and objectives of training program (one-half hour);
- one-half day each for (3) controller's office organization and functional responsibilities, and (4) characteristics of company accounts;
- (5) accounting procedures and research department (one day);
- (6) payroll, tabulating, and sales analysis department (three and one-half days);
- (7) budgeting department (one day);
- (8) factory and district office accounting—general (one day);
- (9) factory accounting—specific plant (six days);
- (10) cost accounting department (eight days);
- one day each for (11) treasurer's office, and (12) accounts payable section;
- (13) property accounting department (2 days);
- one day each for (14) fiscal accounting department, and (15) secretary's office;
- (16) auditing department (one and one-

half days);

- (17) economic cost department (one day);
- (18) application of accounting principles—case study (four days);
- (19) review and assignment to position (one day).

Besides the lecture method and classroom discussion, which are in use throughout, observation of the conduct of the work is included as part of the course on payroll, tabulating, and sales analysis as well as of the course on factory accounting, cost accounting department, treasurer's office, and accounts payable department. There are assigned readings of material applicable to the characteristics of company accounts, factory and district office accounting, cost accounting department, and property accounting department. Problem material plays a part in the instruction technique relating to accounting procedures, budgeting factory accounting, and application of accounting principles. Practice use of forms is rung in to aid instruction on payroll, etc., cost accounting department, and accounts payable. In connection with the auditing department, actual audit reports are reviewed. Charts are used to get across some of the more important points in courses in which organizational relationships are significant. These include controller's office organization, factory and district office, and the fiscal accounting department.

There are two types of reports which issue from the training program. One applies to the individual trainee and is submitted by each of his instructors. This form gives a basis for initial placement of the trainee and, so far as confirmed under actual conditions, the direction of his subsequent progress. The other report, which is made by each trainee, is an appraisal of the value of each course upon its completion.

By JAMES R. EVANS. *N.A.C.A. Bulletin*, January 1, 1948, p. 509:8.

INSURANCE...

What's Ahead for Insurance?

THREE is a close relationship between the philosophy of government and the philosophy of business transacted under that government. I am not going to attempt to predict what will happen in this new era either to governments or to the insurance business. I should like, however, to call attention here to certain developments which point the way to what appears to be ahead for insurance.

When France adopted its present form of government, one of the first steps taken by the government was the nationalization or socialization of insurance. Other countries, including some in this hemisphere, have nationalized the insurance business directly or indirectly. At least one province of Canada has already socialized the insurance business.

Let us examine now the extent to which our government units are in the insurance business at the present time and the reasons which prompted governmental operation of these insurance ventures.

The first governmental insurance program was identified with the enactment of compensation laws approximately 30 years ago. Since the legislation was designed primarily to improve social position of workers injured in industry, it was argued that the government could provide these benefits without profit and more economically to the end that employees might enjoy larger benefits. More than 20 states now operate monopolistic or competitive state funds.

When our economy was paralyzed in

1932, the people demanded that the government provide protection against a repetition of the misery, disaster, and financial chaos which ensued. In answer to this demand, our Federal Government embarked upon a series of insurance programs, which became a permanent part of our government system. The use of the Reconstruction Finance Corporation as a governmental device to foster the organization of insurance companies commenced with the organization of the Federal Deposit Insurance Corporation. Since that time, the Federal Government has been invited by private insurance business to organize the War Damage Corporation, the National Service Life Insurance program and, through governmental channels, to assume the wartime losses of the marine insurance business.

The Federal Government has embarked upon a program of group insurance, unemployment insurance and Social Security, which is closely akin to insurance. At the present time, there are before Congress ambitious programs to engage the government in the accident and health and hospitalization business. There is an accent on providing social security benefits through government sources either by direct transaction of the insurance business or the indirect subsidy of private insurance carriers.

In 1942, Professor Blanchard had the courage to define social insurance. This is his definition:

Social insurance is any form of insurance in which the government goes beyond the regulation of practices and the dissemination of information. It may do so by

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compelling insurance, by shifting the cost, by subsidy or by becoming itself an insurer. To the extent that it acts in any one of these directions, insurance becomes social insurance, and I should include within its scope compulsory automobile insurance, governmental schemes of war-risk insurance, governmental crop insurance, as well as the more commonly recognized workmen's compensation, unemployment, old-age, and disability insurance.

It is particularly important to note and ponder all manifestations of a conviction that private initiative, regulated by supervisory authorities, is not adequately meeting the risk problem of the public. Such a conviction has social insurance legislation as its outlet.

One such conviction is now manifest in the attention given the limited underwriting facilities of fire and casualty companies in the insurance press during the past few months. Large numbers of people have been unable to secure the fire and casualty insurance protection which is almost imperative to their economic security. If this fire insurance is not made available through private sources, the same pressure which involved the government in housing projects will inevitably involve the government in providing fire insurance.

There are many additional facets to

this problem which have already manifested themselves. The industry itself is alert. This is evidenced by the refinancing activities undertaken by a number of companies; the rearrangement of reinsurance contracts; the co-operation between insurance companies to improve the underwriting facilities of competitors; the spread of assigned risk plans; preparation for multiple-line underwriting recently authorized by a number of state legislatures; and numerous other changes designed to afford broader insurance facilities to the insuring public.

The immediate future will require broadminded, constructive leadership, dedicated to the principles of fair and reasonable competition, to enhance insurance services to the public and to rebut the arguments of those who would further extend the activities of government in private insurance business.

From an address by Charles F. J. Harrington before the annual meeting of the Insurance Advertising Conference (*The Weekly Underwriter*, September 20, 1947, p. 665:3).

Some Aspects of New Rating Plans

DISCUSSING the new interstate experience rating plan for workmen's compensation in a recent address before the Casualty Actuarial Society, Seymour E. Smith pointed out that the plan provides that any risk which qualifies for experience rating in any one state on an intrastate basis shall be eligible for interstate rating, and shall be rated upon the experience of all states combined for which the plan has been approved.

The carrier must file a "notification of coverage" form, listing each state in which the risk operates and the risk name and policy number for each state. The form is necessary since the present unit reports for the individual states do not show whether or not the risk operates in other jurisdictions. When the National Council on Compensation Insurance receives the list of states from the carrier, the unit report cards are drawn for the risk, and the actual and

expected primary and excess losses for each state are entered on the present experience rating form.

The rating formula is the same as that in the intrastate multi-split plan introduced in 1940. Actual and expected primary and excess losses are the totals for all states combined. The experience modification applies in all states in which the interstate experience rating is effective, thus eliminating the cumbersome procedure in the old interstate plan under which modification was adjusted for each state developing a qualifying volume of experience. Use of a single modification for all states follows the concept of considering the risk in its entirety.

If the distribution of the risk's operations by state is relatively static, development of a separate modification for each state under an interstate plan will have no effect upon the over-all premium for the risk, and an unnecessary amount of labor and expense will be incurred. If the distribution of operations by state is subject to appreciable fluctuation, on the other hand, individual state modifications would have to be adjusted to produce the over-all interstate modification for the risk. The adjustment factor in such a case might be substantial for a risk with operations spread out over many states.

Mr. Smith outlined the reasons for optional combination for rating purposes on an interstate basis of workmen's compensation with other third party liability lines. Casualty rate regulation raises a practical problem in the rating of large risks, he said. Since the introduction of retrospective rating in 1936, this combination has been applied to a steadily increasing number of risks.

Since automobile and other liability rates were unregulated in most states, the premium for these lines was an amount which, when added to the approved compensation premium, produced a premium developed by the over-all retrospective agreement. The plan was found to be exceedingly successful. It demonstrated its ability to produce a final premium which came far closer to meeting the actual needs of the individual risk than any casualty rating plan yet developed. The plan was given a further impetus by the comprehensive rating plan for national defense projects.

This type of plan is successful, Mr. Smith said, because it brings the advantage of multiple-line underwriting down to the individual risk level. Each line of insurance must receive separate consideration, but the buyer and underwriter are primarily concerned with whether or not the total premium for all third party liability lines properly reflects the over-all experience and hazards of the risk. When several lines are combined, the chance for their over-all accuracy is greatly enhanced since any inequity developed in one line will tend to be offset in another.

Proponents of retrospective rating—plan D—believe the plan is actuarially sound and will represent a desirable step forward in the rating of sizable casualty risks, Mr. Smith said. The plan has been designed to provide ample safeguards and safety margins, so that the integrity of the workmen's compensation rating procedure will in no way be endangered by the combination for rating purposes of workmen's compensation and other third party liability lines.

The National Underwriter, December 11, 1947, p. 21:1.

Survey of Books for Executives

LABOR RELATIONS AND HUMAN RELATIONS.
By Benjamin M. Selekman. McGraw-Hill Book Company, Inc., New York, 1947. 248 pages. \$3.00.

Reviewed by Martin Dodge*

This book provides a literary vivisection of industry's liveliest problem. Management executives who are too busy to read books should take time out for this one.

The author is excused a measure of redundancy in the title, *Labor Relations* and *Human Relations*; it emphasizes the most vital aspect of labor relations, neglect of which has got us where we are. Whether Dr. Selekman's treatment is historical or current, the human element is kept tight hold of, and the book seldom gets far away from the shop.

The result is a work that delves deeply, even philosophically, into the whys and wherefores of labor, without leaving the realm of the practical. If the author's consistent orientation to human relations seems at times monotonous, this should probably be attributed to objectivity in his literary style, not to overemphasis of human factors, an implausible circumstance.

Dr. Selekman's chief concern is the threat to collective bargaining. He pictures this institution as in a dire state. While his estimate is scarcely supported by the actual pleasantness on the industrial front which has prevailed concurrently, though perhaps coincidentally, with Taft-Hartley, no one would differ with him that collective bargaining remains "unfinished business." Or that it will probably remain so, "unless and until we apply ourselves to learning why conflict in industry has proved so much easier to evoke than cooperation."

Labor Relations and Human Relations is devoted very logically to examining the collective bargaining process: (1) at the stage where the union originally enters, (2) during the negotiating of the first agreement, (3) under the contract itself while all parties are becoming accommodated to the bilateral arrangement, and (4) finally in the handling of grievances and the implementation of new management policies and technological changes. The author throws a searching light on the emotional turmoil that engulfs employees, foremen, and executives, particularly through the first two stages, and warns how hostile

attitudes can easily be perpetuated under all these conditions.

Sound collective bargaining, as the core of constructive industrial relations, depends in the future, Dr. Selekman believes, on substantial enlightenment of both management and labor. Two chapters of the book are devoted respectively to "Wanted: Mature Managers" and "Wanted: Mature Labor Leaders." The final chapter dwells on the fact that conflict is indigenous to labor relations as it is to most other human relations—that cooperation is desirable but must be consciously created and nurtured.

How formidable is the task, the author asks, of constructing satisfactory relationships even when only two persons are involved—man and wife, doctor and patient, or teacher and student. Let the business executive and union leader humbly approach the vastly more intricate task of establishing a satisfactory working basis between management, a collective entity, and employees, another collective entity! Each may consider itself competitive with the other, both suspicious, and neither as yet properly schooled in the techniques of industrial statesmanship.

The facets to this problem are illimitable, but the reader is permitted to look realistically at many of them. He is made to understand how impossible it is for people preoccupied with other matters to comprehend, much less administer wisely, the human relations that are the product of labor contracts; how skilled handling of this problem must be recognized as a function of all management, not just a specialized few; and how this requires intensive management education.

Question might here be raised as to the author's assumption that this education can be supplied in the conventional manner, by sending executives to school. Modern industry has got beyond this stage. Education must now be a function of management itself, administered within industry, integrally with the routines of management. Industry has become too dynamic to make it possible for outside academic agencies to keep sufficiently apace. Also, efficiency dictates that certain training be done on the job, in the presence of the conditions needing correction, where it can be done much more effectively.

No complaint can be lodged against the plea for more mature leaders. Organized labor in America, by and large, is led by

* Partner, Dodge & Mugridge, New York City.

men who are more adept at building unions than running them. And the competitive processes of business have brought to the top executives who are much more naturally unilateralists than bilateralists. Their superior competitive techniques automatically disqualify them for some of the essentially cooperative functions required in sound labor relations.

Still the author may be said to be unrealistic in his admonitions to the management side. The underlying spirit of his comment is that executives should take a tender view of the wage-earner's psychology. This overlooks the fact that this psychology is based far too often on misconceptions, fallacies, and misinformation—a situation so abundantly demonstrated in careful studies of the matter as to become a sad commentary on our educational systems as well as on the capacity of management to be articulate. If management helps to get the record straight, that in itself will be an act of maturity.

Dr. Selekman's book, which deals with a momentous subject, is of relatively brief compass. It is not surprising that it should contain generalizations, without due qualification. Such generalizations do appear, and they do tempt debate. Perhaps that is their virtue. If the reader is sufficiently aroused, he may more quickly appreciate the author's thesis that in the present state of labor relations the emotional factor must be dealt with far more intelligently than has heretofore been the case.

THE GUARANTEE OF ANNUAL WAGES. By A. D. H. Kaplan. The Brookings Institution, Washington, D. C., 1947. 269 pages. \$3.50.

*Reviewed by Charles A. Myers**

At a time when organized labor's demand for the "guaranteed annual wage" has temporarily given way to concern for general wage increases, it is important for management to reconsider the whole question, which will surely be raised again. The concept has a tremendous emotional appeal, and the burden will be on management to explain why wage commitments to employees should not be treated as "fixed" costs over a period, just as some other costs are assumed to be fixed obligations.

This new study under the auspices of The Brookings Institution will be invaluable in any dispassionate analysis, whether by management or unions, of the annual wage. Brevity is one of its virtues, but this is not achieved at the expense of sound

* Associate Professor of Industrial Relations, Massachusetts Institute of Technology.

scholarship and careful analysis of the problems—a refreshing contrast to two earlier Brookings studies on national labor policy. The book is a useful supplement (and in some ways an antidote) to the much longer official government (Latimer) report on guaranteed wages.¹

Dr. Kaplan's economic analysis of the implications of industry-wide and nationwide wage guarantees is matched in the literature only by the Appendix F which Professors Hansen and Samuelson wrote for the Latimer report. Yet this kind of analysis is essential if we are to understand the difference between a wage guarantee by one or several firms, and a guarantee required of whole industries or of all industries. This book is primarily concerned with these broader aspects of wage guarantees, but it does not neglect the experience of individual companies with stabilization plans. There is also a very good chapter on official and unofficial union attitudes toward guaranteed annual wage proposals, based on interviews conducted by Professor Richter, Director of the Maritime Bureau of Industrial Relations at Dalhousie University. The use of the guaranteed wage demand as a bargaining device is clearly pointed out.

As other investigators have done, Dr. Kaplan calls attention to the protective devices which surround the most publicized annual wage plans. He agrees that many other firms and industries could do more than they are now doing to iron out day-to-day and seasonal fluctuations in employment, but he rightly stresses that this is not the key question in the annual wage discussion generated by the unions' demands. The real issue is: What will be the impact on the present economic structure? Or, can the guarantee of annual wages to workers attached to each firm be reconciled with the requirements of a high-level employment economy?

Answers to these questions are important not only at the level of national policy but also in the plants and industries where collective bargaining over annual wage proposals takes place. Dr. Kaplan shows that guaranteed payrolls would bolster and stabilize consumer demand, especially if they could be guaranteed during cyclical downswings in business. But stability of total consumer demand does not assure stability of demand for each plant or industry producing consumer goods, especially consumer durables. So long as consumers are free to spend their incomes as they wish, changes

¹ *Guaranteed Wages*, Report to the President by the Advisory Board, Office of War Mobilization and Reconversion (U. S. Government Printing Office, Washington, D. C.).

in demand will mean expansion for some firms and industries, declines for others.

These fluctuations would be even more pronounced in the producers' goods industries, where "to the previous risks of fluctuating business would be added the further risk of having to meet payrolls for which there was no matching production." (p. 205) Furthermore, to the extent that guarantees force old or new firms to expand employment cautiously, there would be a deterrent to the kind of dynamic expansion which is considered essential in our economy.

The impact on business policy is also explored. Will the pressure for the stability implicit in wage guarantees lead to efforts to restrict entry of new firms, set quotas, and fix prices? These dangers are great enough to suggest caution in considering widespread adoption of full wage guarantees.

There is an area, of course, in which management and labor can work out much more limited guarantees. These need to be explored plant-by-plant. Dr. Kaplan tends to minimize the value of formalizing wage guarantees to workers who already have regular employment, yet these and other limited guarantees are the least that progressive managements should consider. His main conclusion, however, needs emphasis: A widespread program of "guaranteeing present persons in their present jobs" will tend to create roadblocks against achievement of the major goal of maintaining high-level employment in our present economy.

PERSONNEL ADMINISTRATION: A Point of View and a Method. By Paul Pigors and Charles A. Myers. McGraw-Hill Book Company, Inc., New York, 1947. 553 pages. \$4.50.

Reviewed by Harry King Tootle*

The position which a personnel department should occupy in an organization is not yet thoroughly understood by many responsible executives in the business world. It is, therefore, heartening to personnel men and women to find a new book which is definite and clear in discussing the obligations the department should assume and in pointing out how its duties should be performed. Such a book is this by Paul Pigors and Charles A. Myers, associate professors of industrial relations at Massachusetts Institute of Technology.

This book can be useful to all who will give its expositions of theory and practice

* Author, *Employees Are People*.

the careful reading they deserve. It should not be restricted to workers in a personnel department. As a reference in helping any executive to a better understanding of some of his human relations problems, the book will prove valuable.

The form in which the material is presented makes it suitable as a college text, but this form also has advantages for the reader already in the business world. It facilitates review of any personnel topic, both its philosophy and the supporting data. Each chapter includes a summary and a case illustration with questions which provoke thought and insure that the reader will not miss any implication.

The best service *Personnel Administration* renders is to stress constantly that the personnel administrator is a staff official and as such must report to the head of the organization. This is so well emphasized and then explained step by step that this book should be required reading by the president of every company in the country. The weakness of personnel administration today is that it lacks staff status generally and that many of its practitioners are not yet qualified by experience, age, or ability to act as staff officials.

Were this book to be read thoughtfully by major executives we should have less impatience with the slowness with which some personnel objectives are reached. Its reading would also discourage the employment of "experts" who promise to achieve in several months what cannot conceivably be accomplished in several years. Even where a poor personnel program is replaced by an enlightened policy, the authors point out, employee response will still be slow.

The scope of the book is indicated by the titles of its major divisions: The Nature of Personnel Administration; Handling Personnel Problems; Diagnosing Organizational Stability; Building and Maintaining Work Teams; Wages and Hours; Employee Services and Programs; and Conclusion: The Personnel Point of View. A third of the text is devoted to the cases, which drive home by their concrete comment and dialogue the principles discussed.

Many a reader will thank the authors for clarifying his own thoughts by showing the need for such techniques of investigation or review as person-centered thinking, policy-centered thinking, and situational thinking. Here we are "getting down to cases," which indeed is the title of one chapter. The section of the book devoted to organizational stability provides barometer readings and interpretations of swings in morale, which in turn affect production and costs. One who follows the prescrip-

tions of these chapters in time will cut the list of employee grievances and perhaps avoid the need for any arbitration cases.

If *Personnel Administration* is used as a college text, the instructor will be primarily a catalyst of ideas. Those already well acquainted with personnel literature will need no guide to their reading. This leaves for consideration junior executives and junior members of personnel departments. So replete is this book with information about policy and procedure that juniors may find it advantageous to discuss each chapter with experienced practitioners in the personnel field. Such exchange of ideas will better equip them to grapple with the searching questions accompanying each case illustration.

To the established personnel worker the selected references that accompany each chapter can prove valuable in supporting a challenged position. By all means, *Personnel Administration* should also be quoted as an excellent authority.

PATTERNS OF UNION-MANAGEMENT RELATIONS. By Frederick H. Harbison and Robert Dubin. Science Research Associates, Chicago, 1947. 229 pages. \$3.75.

*Reviewed by Robert S. Newhouse**

The patterns of union-management relations which the authors have reviewed and analyzed in this unique and interesting book are those developed by two automobile manufacturing companies and the United Automobile Workers (CIO). Comparisons are drawn showing wide differences in experience and results. The title of the book is somewhat misleading in that it implies a broader coverage than the authors have attempted, for many other patterns of union-management relations have not been considered in this study. It is even doubtful whether all union-management relationships in the automobile industry would fit into these two patterns.

While the authors do not state their reasons for selecting these particular organizations for study, it may be assumed that they wished to contrast their very different histories. The atmosphere of an armed truce known to prevail in the relations between General Motors Corporation and the United Automobile Workers (CIO) made that situation a highly suitable Exhibit A. To secure case material representing opposing evidence, the authors chose the Studebaker Corporation and its experience with Local 5 of the same union, which has been

* Industrial Relations Counselors, Inc., New York, N. Y.

impressively free of strife. The presentation of these case histories is notable for its fairness and detachment. The authors have displayed no partiality to either the union or management side, nor do the facts and conclusions presented in any way suggest unfavorable comparisons between the managements of the two companies.

The objectivity of the treatment is strengthened by the separation of facts and comment. The factual reports on the labor relations history of General Motors and Studebaker, written by Drs. Harbison and Dubin, respectively, comprise about one half of the book. These reports are thorough and in themselves constitute a useful contribution to industrial relations literature. The analysis of the facts and the joint conclusions of the authors are logical and fairly drawn. While they differ in some respects from the conclusions of other observers of labor relations in the automobile industry, they shed new light on the perplexing problem of why union-management relations in that industry are what they are. In some quarters it is believed that General Motors and the UAW do not get along well because the management is trying to break the union, and in others, because the union is trying to take over the management. But the authors point out that neither is the case. They call General Motors-UAW an example of union-management relations in a "power center," that is a situation "wherein both the union and the company, by virtue of their size and strength, have a far-reaching influence on the many other union-management relationships, if not on the economy as a whole." Their intentions are sincere but they are handicapped by having to function in a "goldfish bowl."

The experience in Studebaker, which has been viewed with some alarm by many of the "old guard" who think management there may be compromising principles to have industrial peace, is shown by the authors to be the result of "constructive union-management relations" growing out of such factors as the size and history of the company, the community, the long service of employees, the financial plight of the company at the time of union organization, etc. Each side respects the strength of the other, and "the company has determined without reference to the union the overall strategy of the business and its place in the economy as a whole."

Though bigness in union-management relations is not condemned *per se* in the conclusions to this study, it is apparent that the authors hold a dim view of the possibility of constructive and peaceful labor relations in "power centers." There is an implication that even if the management and union personalities in these two situations

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were reversed the results would be about as they are today. The reader might be inclined to go along with this view solely because of the manner in which the two factual reports are written. In the General Motors situation, developments are traced in terms of over-all plans, moves, and various forms of strategy, while the story of labor relations at Studebaker comprises case histories and earthy examples of day-to-day relationships. The difference in treatment goes deeper than the style of writing or reporting by the two authors. It just was not possible for the observer to get down to the grass roots that exist out in the plants of General Motors.

It would seem, therefore, that the authors might have applied the moral of their story to a problem of pressing importance, namely, industry-wide bargaining, which is mentioned only in passing as an objective of the UAW thus far thwarted by General Motors. Instead, the book concludes with a discussion of union-management cooperation for productive efficiency as the ideal outgrowth of "constructive union-management relations," but an ideal admittedly unattainable in the foreseeable future.

FORECASTING FOR PROFIT: A Technique for Business Management. By Wilson Wright. John Wiley & Sons, Inc., New York, 1947. 173 pages. \$2.75.

Reviewed by Chapin Hoskins

This book, says the author, is intended "to enable the student of economics to be most useful to the management of a business and to assist the executive in understanding how to use a professional economist." If we substitute "help" for "enable," almost anyone who reads this book will feel that the author has succeeded admirably. "The very training of an economist," he himself remarks, "is apt to impair his ability to make a definite decision."

Every thoughtful executive should profit by reading at least the nine pages of Mr. Wright's introductory chapter, particularly in these days when wrong decisions as to the future can prove so costly. Besides reviewing the well-known values of sound forecasting, such as the prevention of recurring inventory losses, the author quietly sticks pins into some of the accepted fallacies of modern management. "A constant minimum inventory policy," says he, "actually guarantees inventory loss." And, "the common practice of devoting a fixed proportion of income to advertising and other merchandising effort may be expected to result in considerable waste."

As is so often the case nowadays, the book is badly titled, probably by the publisher rather than the author. *Forecasting for Profit* carries the implication of successful investment or speculation, but Mr. Wright's sound concept of business forecasting is that it is an instrument for managers who wish to minimize the effect of chance as a factor determining success or failure of a business.

What a forecast is, and how to go about constructing a practical forecast, the author tells in generous detail in later chapters based on his years of successful experience with Armstrong Cork Company. These chapters should be invaluable to the executive whose firm is planning to add economic forecasting to its management tools.

From a scientific standpoint, one of the most encouraging yet least satisfactory sections of the book is the chapter on business cycles. Encouraging because the author relates that for many years Armstrong Cork has used a concept of periodicity in its forecasting work, a step which is still ahead of most economic departments of industrial corporations. Discouraging because at a time when a real understanding of business periodicity is just beginning, the author considers that "there probably is little that is not known about business cycles."

ARBITRATION OF LABOR DISPUTES. By Samuel R. Zack. Doniger & Raughley, Great Neck, N. Y., 1947. 240 pages. \$2.50.

*Reviewed by Douglas McGregor**

This collection of arbitration cases from the author's files should be on every personnel man's bookshelf. If he is wise, it will not stay there, however. He will use it as an effective tool for the education of his management associates and his union friends. Not only does it offer persuasive arguments for the value of arbitration; it also reflects a penetrating insight into the nature of many common labor-management disputes. It provides an excellent introduction to labor relations for the newly appointed foreman or shop steward, and for the interested layman as well.

Mr. Zack has selected cases illustrating problems of alleged discrimination, discharge for union activity, discharge for "just cause," and contract violation. They are written with a keen awareness of their dramatic appeal. The reader will find himself reading as though he were eating a bowl of popcorn

* Industrial Relations Section, Massachusetts Institute of Technology.

—reaching for another and yet another until the bowl is empty.

Of course, since this book is written for popular consumption, the cases presented are relatively simple. They tend, perhaps, to give the impression that the arbitrator's task is remarkably easy. As in the case of any complex skill, the expert's deft touch may lead the amateur to underestimate the amount of experience and the high order of ability necessary for successful performance. The arbitrator's task is far more difficult than Mr. Zack makes it appear to be!

The author says little about the actual technique of conducting arbitration hearings or of weighing contradictory and inadequate evidence to reach a decision. Nevertheless, the cases he presents provide indirectly many clues with respect to these techniques. Some of them are presented in dialogue form, giving the reader an excellent opportunity to study the tactics of the parties to the dispute and to see the mind of the arbitrator at work.

By and large, this book will prove most useful as a demonstration of the value of arbitration in preventing strikes and as an introduction to the nature of the arbitration process. Mr. Zack's delightful style and his keen understanding of human nature combine to give the reader real enjoyment while he learns something about a highly complex subject.

THE UNION CHALLENGE TO MANAGEMENT CONTROL. By Neil W. Chamberlain. Harper & Brothers, New York, 1948. 338 pages. \$4.50.

Reviewed by Ernest Dale

Dr. Chamberlain, of the Yale University Labor and Management Center, has written a thorough and thought-provoking analysis of the problem of management prerogatives. This book is a concrete appraisal of one of the most important issues faced by all sectors of the national economy, based on a two-year study of union contracts and interviews with labor and management in large companies in the automobile, steel, meat packing, public utility, rubber, and electrical equipment industries. Much new factual material is integrated into a logical structure of exposition, enhanced by a rich knowledge of over-all considerations of the problem. Many of the book's reflections on collective bargaining issues will stimulate the reader's thinking and aid him in the analysis of his own problems.

The author finds that union invasion of management prerogatives is already extensive and likely to increase. Specifically, the planning functions of management (modification of policy-making through the collective bargaining agreement) and the compliance functions (through the grievance machinery and impartial umpire) have been affected most; the administrative function (how to do the job) and the executive function (seeing that the job is done—e.g., discipline) have been much less affected. The area of management most deeply penetrated is, of course, personnel (wages, hours, hiring, layoff, etc.). The production area (technological changes and rates of operation) and the company's coordinating activities (supervisory, procedural) are likely to be increasingly affected. Thus "collective bargaining is a system of management" controlled by people with different objectives and responsibilities from those who are usually thought to be management.

Dr. Chamberlain found that company executives oppose union invasion of managerial prerogatives on the legal ground of the corporation's sole responsibility to its stockholders and on the technical ground that unions endanger corporation efficiency (because they are not sufficiently responsible and competent) and divide final authority. The unions' arguments are largely based on ethical grounds—achievement of worker goals of security, recognition, and control over their affairs, the appeal to justice. Their actions are carried on the waves of social determinants—the march of the common man and the historical modification of autocracy, the cumulative shifting of the balance of power. And the unions' arguments are likely to have a stronger public appeal.

What should be done? On historical, institutional, and legal grounds Dr. Chamberlain believes that governmental laws, contract agreements, and forcible action designed to protect the area of management rights from union invasion are not likely to hold the "prerogative line." He suggests a complete rethinking of the bases of management rights. Fundamental to an effective high-income economy is preservation of the functions of management—i.e., a unilateral exercise of the executive and administrative functions provided they are in line with directive policy. However, in the determination of over-all company goals and policy, the author suggests the need for an integration of the interests of the parties concerned. It is increasingly stressed, by many observers including business men, that the corporation has responsibilities to the union and the public, and vice versa. It is a pre-

cept of scientific management that responsibility must be accompanied by authority. Each party—management, labor, and the public—"requires an authority for the discharge of this triple responsibility which is adequate both as to scope and effectiveness." Many important requirements need to be met for this "functional integration." The opportunity to attain economic and non-economic goals of all the parties concerned should be made possible through the enterprise. This, in turn, requires leadership training; factual information; basic integrity, mutual intent, and faith on the part of all concerned; a common procedure for insuring compliance with joint decision; and public approval of the goals and the procedures.

The two questions that arise in the reader's mind turn on the actual consequence of the shift of some management powers to labor: Is labor prepared to accept and exercise them in a "responsible" fashion? Is it willing to abandon its restrictive practices so that it can employ its authority satisfactorily for the achievement of mutual goals? Even if the answers are affirmative, is labor competent to aid in reaching these goals?

FACTORY ORGANISATION AND MANAGEMENT.
By N. F. T. Saunders. Sir Isaac Pitman and Sons, Ltd., London, England, 1946. 163 pages. 10s. 6d.

Reviewed by R. F. Wallace*

For a general work on principles of industrial management, Mr. Saunders' book differs in several respects from the standard American works of this character. The first contrast we note is the brevity of this book (163 pages). The illustrations and specimen forms which characterize the leading American industrial management texts are conspicuously absent from *Factory Organisation and Management*. This omission weakens the book, particularly for the student and the general reader who lacks training or experience in industrial management.

Mr. Saunders writes with a fluency and informality which make his book quite readable. Unfortunately, he occasionally makes statements that lack the precision which a book on fundamentals of factory management should have. Such a statement as "All proposals affecting the fundamental

* Instructor in Management, Northwestern University.

running of the business ought to conform to the policy agreed" might lead to confusion for the unsophisticated reader. oversimplifications without careful qualification, such as "Once a factory has been established it must make as much of its product as it can," are open to serious misunderstanding.

Though the author emphasizes the importance of the human factor, his chapter on that topic is surprisingly naive. He not only has no new contribution to make on the human relations aspect of industry but reveals a lack of knowledge of what has been accomplished in this field. His discussion is in terms of generalizations and platitudes which have scant value for throwing light on practical problems.

Mr. Saunders completely omits such important topics as plant location, plant layout, managerial organization, motion study, time study, heat, light, and power. His discussion of production control is quite inadequate; the control methods advocated would be regarded as antiquated by any progressive American manufacturer.

His treatment of buying is merely an elaboration on such obvious facts as: (1) the buyer should have an index of suppliers; (2) the buyer should be courteous to suppliers' representatives; (3) subcontractors are likely to be too optimistic.

The discussion of wages and wage incentive systems is too brief and vague to be of any value. The same is true of the chapters on budgetary control and cost accounting.

To what extent the shortcomings of Mr. Saunders' book reflect the lag of British industrial practices behind those of the United States, this reviewer is not in a position to say; but the deficiencies of this work on fundamentals of factory management when compared with standard American books in the same field are obvious.

On the whole, *Factory Organisation and Management* is inferior to and more obsolete than several of the industrial management texts which came out in the 1920's—e.g., Lansburgh, Kimball, Dutton, Davis. Neither the student nor the operating man would derive sufficient benefit from it to justify the time required to read it.

THE HANDBOOK OF SELLING. By Charles B. Roth. Prentice-Hall, Inc., New York, 1947. 351 pages. \$5.00.

Reviewed by Saul Poliak*

There are inherent limitations on the value of any general how-to-do-it treatise

* Clapp & Poliak, New York, N. Y.

on personal selling. Chiefly, these derive from the fundamental fact that sales procedures, to achieve maximum effectiveness, must be fashioned methodically in accordance with the requirements and objectives of a specific sales task.

Mr. Roth's book provides no exception to these limitations. Essentially, it is a collection of numerous bits of technique for use in the sales job, obviously based on broad and varied experience and richly illuminated with clarifying examples. From this abundant fare, the individual salesman will find morsels for effective use in his daily work.

THE BOARD OF DIRECTORS AND BUSINESS MANAGEMENT. By Melvin T. Copeland and Andrew R. Towl. Harvard University Press, Cambridge, Mass., 1947. 202 pages. \$3.25.

*Reviewed by James F. Bell**

The American business corporation is one of the foundation stones, if not the cornerstone, of our economic system; acceptance of the system itself presupposes real confidence in the administration of the corporate enterprise. To inspire such confidence, the corporation must remain both solvent and useful.

In *The Board of Directors and Business Management* Professors Copeland and Towl demonstrate that the solvency and usefulness of the corporation can be preserved only when alert and intelligent management is ably guided by a balanced and discerning Board. A Board whose members have experience and diverse points of view, who are not completely immersed in operating detail, can bring to the enterprise an appraisal of public needs and opinions valuable for true balance and stability of activities under constantly changing environment—balance which cannot be attained with the inbred guidance of a Board constituted predominantly or solely from representatives of management. The limbo of forgotten, defunct, and decadent corporations is crowded with the wreckage of enterprises which have crashed on the economic shoals created by the un-wisdom of looking only internally for those whose judgments as Directors will steer the corporate ship.

The observations of the authors are not academic abstractions; they are rugged, hard-hitting conclusions supported by extensive research and case studies of corporate successes and failures. They prove that directors have not served well or successfully who have refused or been unable to

* Chairman of the Board, General Mills, Inc.

face the responsibility of selecting capable management and planning succession, asking discerning questions, keeping informed, checking results, performing unpleasant tasks willingly, and understanding that true success requires a spark of adventure.

The Board of Directors and Business Management challenges any incumbent director to examine his conscience; it is a book which a prospective director cannot afford to overlook.

INDUSTRIAL APPRENTICESHIP. By Paul Bergevin. McGraw-Hill Book Company, Inc., New York, 1947. 275 pages. \$2.75.

*Reviewed by C. W. Traut**

Companies with established apprenticeship programs as well as those contemplating setting up apprentice training systems will find this book extremely helpful. Mr. Bergevin has drawn on his own extensive experience and on the findings of recent investigations in 30 plants to provide a text which reflects the best thinking on this basic form of training.

The logical arrangement of the contents is highly effective. Following a listing of the principles of apprenticeship education under the headings of Planning and Administration, Shop Instruction, Related Instruction, and Selection, the author treats each principle in detail, providing a summarization at the conclusion of every chapter. An excellent bibliography is appended.

That increased attention is being given today to the selection of apprentices is evident from the amount of published material on testing programs. Mr. Bergevin discusses both home-made tests and the standard tests available commercially. While the value of tests is not minimized, the reader is warned not to rely on tests alone to do an adequate job of selection. Test data can prove of considerable value for correlation with work habits observed as the apprentice progresses. The ideal situation exists when tests are designed in the light of specific needs and validated for a particular situation.

The experience of industry during the last few years has demonstrated forcefully the need for well-planned apprenticeship programs. What was good enough for grandpa is not good enough in this complex era of mass production. Workers who have availed themselves of apprentice training opportunities are rising to strategic positions. Standards of apprenticeship have been raised, and the rewards are attractive. Even college graduates are seeking admission to various apprentice programs.

Apprenticeship and other training pro-

* Vocational Training Manager, The Hoover Company, North Canton, Ohio.

grams should be reappraised frequently in the light of new trends and progressive practices. The reader who scrutinizes his own organization in terms of the basic principles of sound apprentice training laid down by the author will avoid most of the shoals on which such training may founder.

How to Chart. By Walter E. Weld. Codex Book Company, Inc. Norwood, Mass., 1947. 218 pages. \$3.00.

*Reviewed by George R. Davies**

In recent years, publishers have given scant attention to the important subject of graphic representation. This volume, therefore, will prove a welcome addition to libraries of statisticians and businessmen interested in the subject. An elementary work, designed for the instruction of the beginner, it overlooks no important details in the field of commercial practice.

Mr. Weld obviously brings to his work wide experience in the field of statistical presentation. He carefully analyzes each type of chart in current use, emphasizing the practical rather than the theoretical viewpoint.

After preliminary explanations of the

*Professor of Business Statistics, University of Iowa.

basic principles involved in charting, the author analyzes various types of bar charts —both vertical and horizontal. He then considers circular and line charts, including those embodying negative values and multiple curves.

The ratio chart is given the attention it merits in view of its growing popularity, and its use in solving business problems is explained. The probability chart, too, is given careful attention, as is logarithmic probability paper. The hyperbolic, or reciprocal, chart is discussed as a means of solving certain business problems. The use of nomograms is also considered. Those interested in securities will derive value from the elementary discussion of the charts used in connection with the stock market, including the logarithmic and square root scales. Repetitive patterns, top formations, triangles, and other familiar features of stock market variability are illustrated and explained.

This reviewer's only criticism is that the book might have been expanded somewhat to meet the needs of those interested in economic theory. Cost curves, elasticity charts, and income distribution as presented on double logarithmic paper, together with Pareto's law, might have been treated. As far as the book goes, however, it is an excellent instruction manual for the beginner in graphic representation as applied in the commercial field.

PUBLICATIONS RECEIVED

[Please order directly from publishers]

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